

MISSISSIPPI

Single Audit Report

For the Year Ended June 30, 1997



The Mississippi Comprehensive Annual Financial Report

for the fiscal year ended June 30, 1997

has been issued as a separate document.

OFFICE OF THE STATE AUDITOR
PHIL BRYANT, AUDITOR

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The Office of the State Auditor does not discriminate on the basis of race, religion, national origin, sex, age or disability.



State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

June 30, 1998

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

I am pleased to submit the *Single Audit Report* of the State of Mississippi for the fiscal year ended June 30, 1997. Our audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996, the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Mississippi's audit requirements.

The Single Audit process requires the coordination and cooperation of many state government entities. We are particularly grateful for the efforts of the Mississippi Department of Finance and Administration in compiling data, other state agencies in assisting in the resolution of single audit issues and the efforts of our own outstanding staff.

I am also pleased to report recognition of two other state achievements in financial accounting and reporting:

- for the tenth consecutive year the Government Finance Officers Association of the United States and Canada has awarded its Certificate of Achievement for Excellence in Financial Reporting to the Mississippi Department of Finance and Administration for the state's 1996 *Comprehensive Annual Financial Report (CAFR)* and
- an unqualified opinion has been rendered on the state's financial statements again in 1997.

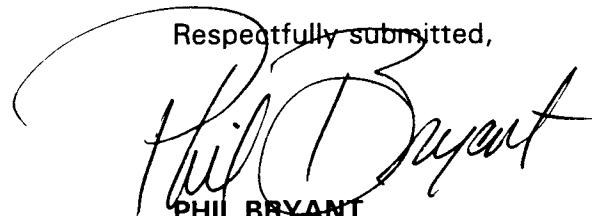
The Governor, Members of the Legislature
and Citizens of the State of Mississippi
June 30, 1998
Page 2

Mississippi's *Comprehensive Annual Financial Report* for fiscal year 1997 has been issued and is available by writing to:

Mississippi Department of Finance and Administration
Attention: Bureau of Financial Reporting
P. O. Box 267
Jackson, MS 39205

I continue to be encouraged and enthusiastic about the quality of our government's financial reporting. It is a fair and diligent reflection of the importance our state places on taxpayers' money, as well as the dedication of the state's employees and citizens who must safeguard it. We can all be proud that this report represents another one of the many things we do well in Mississippi.

Respectfully submitted,

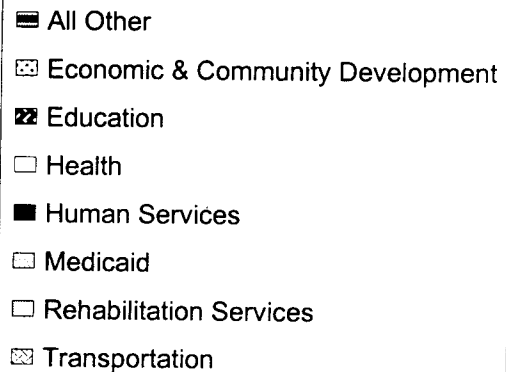
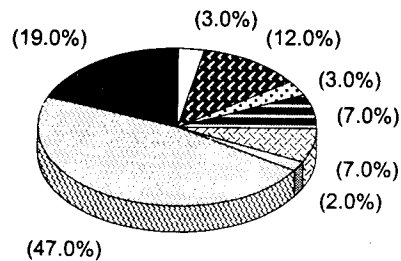


PHIL BRYANT
State Auditor

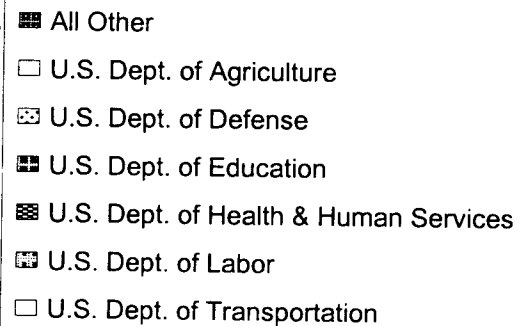
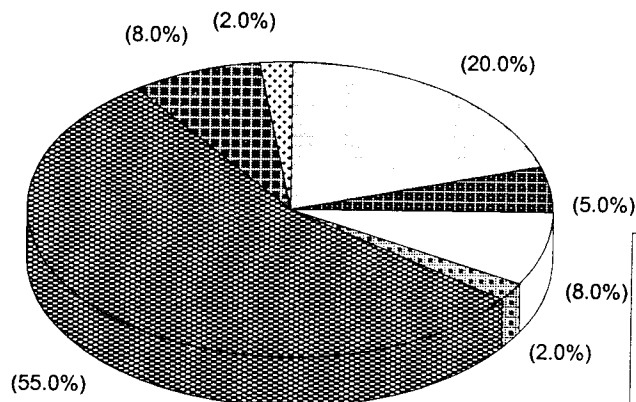
STATE OF MISSISSIPPI

Fiscal Year 1997

Expenditures of Federal Awards by State Grantee Agency



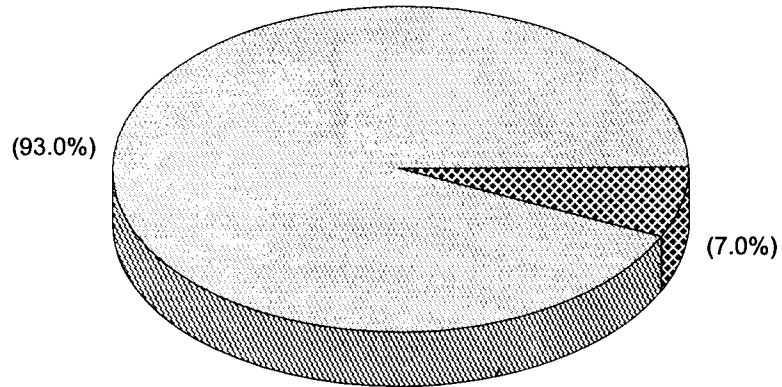
Expenditures of Federal Awards by Federal Department



STATE OF MISSISSIPPI

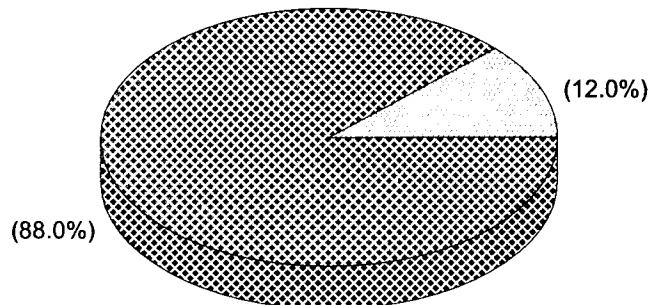
Fiscal Year 1997

Percentage of Major Program Assistance
Total Expenditures of Federal Awards \$2,814,124,038



Major Programs \$2,615,494,526 Other Programs \$198,629,512

Percentage of Major Program Assistance
277 Federal Programs

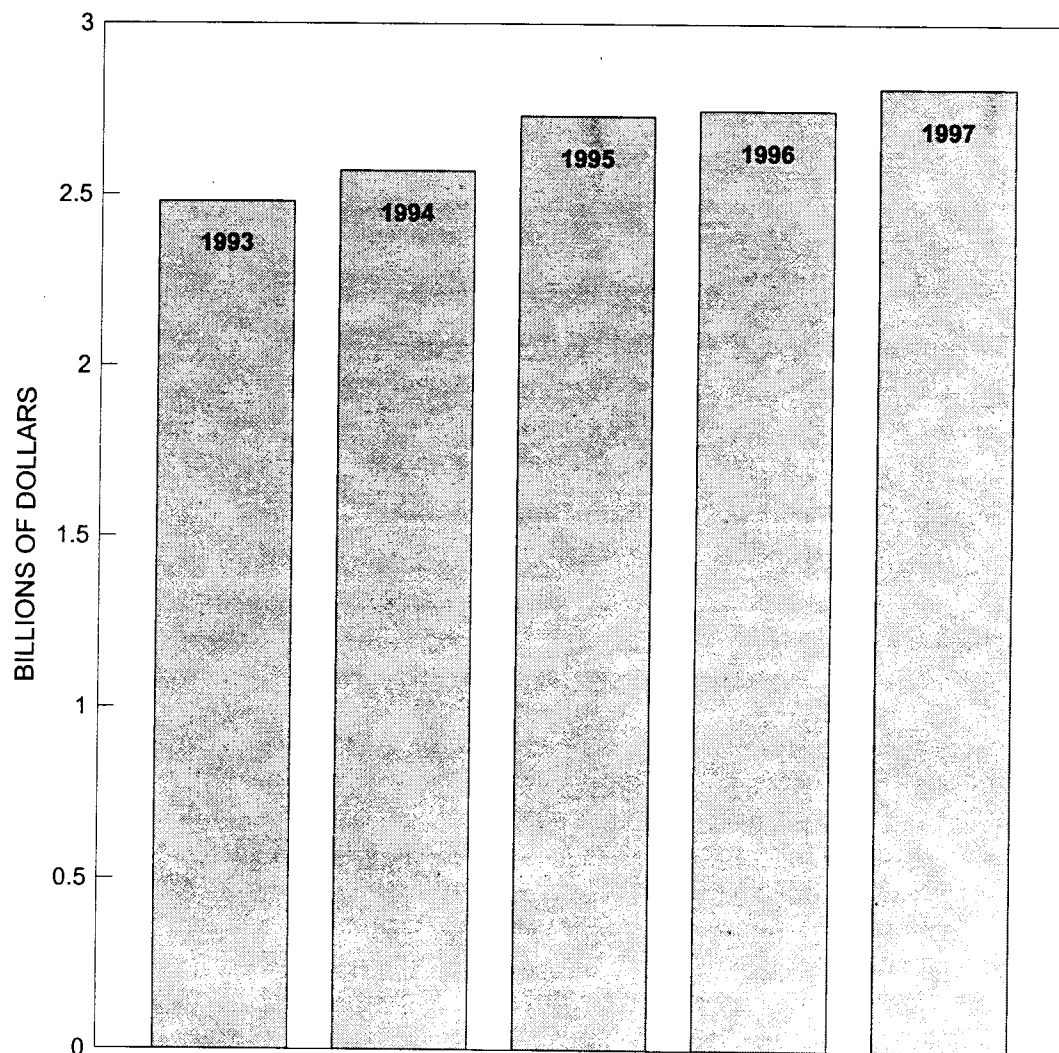


Major Programs 32 Other Programs 245

STATE OF MISSISSIPPI

Total Federal Financial Assistance

Last Five Fiscal Years



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STATE OF MISSISSIPPI

SINGLE AUDIT REPORT

For the Year Ended June 30, 1997

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STATE OF MISSISSIPPI
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I. AUDIT REPORTING





State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

We have audited the general purpose financial statements of the State of Mississippi, as of and for the year ended June 30, 1997, and have issued our report thereon dated December 3, 1997. Except for university funds, we did not audit the financial statements of the component units of the state. We also did not audit the financial statements of the pension trust funds and the related schedule of funding progress or certain expendable trust and enterprise funds. These financial statements, which represent 100% of the plan net assets and changes in plan net assets of the pension trust funds; 39% and 42% of the assets and revenues, respectively, of the expendable trust funds; and 43% and 57% of the assets and revenues, respectively, of the enterprise funds, were audited by other auditors whose reports have been furnished to us. This report, insofar as it relates to the amounts included for the component units other than university funds, pension trust funds and these expendable trust funds and enterprise funds, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Mississippi's general purpose financial statements are free of material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
Page 2

Except for university funds, we did not perform tests of compliance with laws, regulations, contracts and grants for the component units of the state. We also did not perform such tests of compliance for the pension trust funds and certain expendable trust and enterprise funds. Those tests were performed by other auditors, whose reports on compliance with laws and regulations in accordance with *Government Auditing Standards* were furnished to us, and this report, insofar as it relates to the component units other than university funds, pension trust funds, and certain expendable trust and enterprise funds, was based solely on the reports of the other auditors.

The results of our tests and the reports of other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we and the other auditors noted certain immaterial instances of noncompliance, which we have reported to management of the State of Mississippi in separate communications.

Internal Control Over Financial Reporting

In planning and performing our audit, we and other auditors considered the State of Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. The reports of the other auditors on internal controls in accordance with *Government Auditing Standards* were furnished to us, and our consideration of internal controls, insofar as it relates to component units other than university funds, pension trust funds and certain expendable trust and enterprise funds, was based solely on the reports of the other auditors.

We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described on pages 47 through 55 of the accompanying "Schedule of Findings and Questioned Costs: Part 2 - Financial Statement Findings."

Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
Page 3

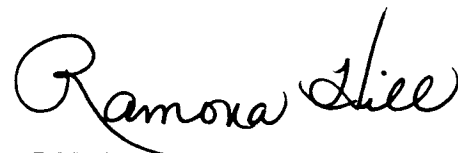
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting, based on our audit and the reports of the other auditors, would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 97-27 (page 49) to be a material weakness.

We and the other auditors also noted other matters involving the internal control over financial reporting, which we have reported to management of the State of Mississippi in separate communications.

This report is intended for the information of management, the Governor, Members of the Legislature, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Department of Audit

Jackson, Mississippi
December 3, 1997

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State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Governor, Members of Legislature
and Citizens of the State of Mississippi

Compliance

We have audited the compliance of the State of Mississippi with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1997. The State of Mississippi's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the State of Mississippi's compliance based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Mississippi's compliance with those requirements.

We did not test transactions and records from the major federal programs of the Mississippi Military Department. These federal programs were excluded because of the agency's refusal to pay for the audit costs as provided by the Single Audit Act Amendments of 1996. The federal programs of the Mississippi Military Department are primarily comprised of cooperative funding agreements with the U.S. Property and Fiscal Officer of the National Guard Bureau, Department of the Army, U.S. Department of Defense. Documentation

Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control over Compliance in
Accordance with OMB Circular A-133
Page 2

provided by the state grantee agency indicates that it is the position of the National Guard Bureau that its cooperative funding agreements are not subject to the provisions of the Single Audit Act Amendments of 1996. Further, the Code of Federal Regulations (32 CFR 266.3) states, "Funds paid by the National Guard Bureau to States under facilities' operation and maintenance agreements do not constitute 'Federal financial assistance' [for Single Audit purposes]." Consequently, the National Guard Bureau will not reimburse states for audits of cooperative funding agreements.

The scope of this audit did not include testing transactions and records from the major federal programs of the public universities of Mississippi. The audits of these federal programs will be conducted in accordance with the provisions of OMB Circular A-110 and Circular A-133, and separate reports will be issued.

As described in item 97-7 (page 69) in Part 3 of the accompanying Schedule of Findings and Questioned Costs, the State of Mississippi did not comply with the requirement regarding subrecipient monitoring that is applicable to its Special Education - Grants to States federal program. Compliance with such requirement is necessary, in our opinion, for the State of Mississippi to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Mississippi complied, in all material respects, with the requirements referred to in the first paragraph of this report that are applicable to each of its major federal programs for the year ended June 30, 1997. We did not test the transactions and records of the major federal programs administered by the Mississippi Military Department and the state's public universities for compliance with the requirements referred to above to determine the effects of such noncompliance, if any. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in items 97-12 (page 74), 97-23 (page 78), 97-24 (page 82) and 97-15 (page 85) of the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs."

In addition we also noted certain other immaterial instances of noncompliance, which we have reported to management of the State of Mississippi in separate communications.

Internal Control Over Compliance

The management of the State of Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, excluding the federal programs of the Mississippi Military Department and the state's public universities as discussed in the third and fourth paragraphs of this report.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the State of Mississippi's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described on pages 57 through 96 of the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs."

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 97-18 (page 59), 97-19 (page 61) and 97-20 (page 63) to be material weaknesses.

We also noted other matters involving internal control over compliance and its operation, which we have reported to management of the State of Mississippi in separate communications.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the State of Mississippi as of and for the year ended June 30, 1997, and have issued our report thereon dated December 3, 1997. Except for university funds, we did not audit the financial statements of the component units of the state. We did not audit the financial statements of the pension trust funds and the related schedule of funding progress or certain expendable trust and enterprise funds. Those financial statements, which represent 100% of the plan net assets and changes in plan net assets of the pension trust funds; 39% and 42% of the assets and revenues, respectively, of the expendable trust funds; and 43% and 57% of the assets and revenues, respectively, of the enterprise funds, were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the component units other than university funds, pension trust funds and these expendable trust funds and enterprise funds, is based solely upon the reports of the other auditors.

The State of Mississippi has excluded federal programs administered by public universities from the accompanying schedules of expenditures of federal awards, as more fully described in Note 2 to the schedules. The state's public universities will be audited in accordance with statutory requirements and the provisions of OMB Circular A-110 and OMB Circular A-133, and separate reports will be issued.

Our audit and the audits of the other auditors were performed for the purpose of forming an opinion on the general purpose financial statements of the State of Mississippi and certain component units, pension trust funds and certain expendable trust and enterprise funds, respectively, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards by Federal Department and the Schedule of Expenditures of Federal Awards by State Grantee Agency are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the general purpose financial statements. The audit reports furnished by the other auditors indicated there were no federal financial assistance expenditures that should be included in the accompanying schedules. The information in the schedules of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, based upon our audit and the audit reports of the other auditors, and except for the effect of the omission described in the preceding paragraph, the information in the schedules of expenditures of federal awards is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management, the Governor, Members of the Legislature, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Department of Audit

Jackson, Mississippi
April 30, 1998, except for the Schedule of Expenditures of Federal Awards,
as to which the date is December 3, 1997

**Schedule of Expenditures of Federal Awards
by Federal Department**



STATE OF MISSISSIPPI

Schedule of Expenditures of Federal Awards by Federal Department For the Year Ended June 30, 1997

CFDA Number	Federal Department/Program Name	State Grantee Agency	Federal Expenditures/ Distributions/ Issuances
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Animal Health/Plant Industry	\$ 178,902
10.063	Agricultural Conservation Program	Forestry Commission	3,271
10.064	Forestry Incentives Program	Forestry Commission	0
10.162	Inspection Grading and Standardization	Agriculture and Commerce	891
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	Agriculture and Commerce	1,031,980
10.550 Ñ	Food Distribution	Education	10,616,090
10.551 Ñ	Food Stamps	Human Services	333,696,166
10.553	School Breakfast Program	Education	26,092,591
10.555	National School Lunch Program	Education	90,614,850
10.556	Special Milk Program for Children	Education	7,411
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Health	48,326,007
10.558	Child and Adult Care Food Program	Education	20,234,867
10.559	Summer Food Service Program for Children	Education	3,339,139
10.560	State Administrative Expenses for Child Nutrition	Education	1,785,046
10.561	State Administrative Matching Grants for Food Stamp Program	Human Services	25,413,954
10.564	Nutrition Education and Training Program	Education	41,418
10.568	Emergency Food Assistance Program (Administrative Costs)	Education/Human Services	490,262
10.569 Ñ	Emergency Food Assistance Program (Food Commodities)	Human Services	1,662,743
10.570	Nutrition Program for the Elderly (Commodities)	Human Services	1,856,418
10.664	Cooperative Forestry Assistance	Forestry Commission	641,940
10.855	Distance Learning and Telemedicine Loans and Grants	Educational Television	126,796
10.950	Agricultural Statistics Reports	Agriculture and Commerce	111,405
10.N/A	Team Nutrition Training Grant	Education	234,286
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>566,506,433</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
11.300	Economic Development - Grants for Public Works and Infrastructure Development	Educational Television	68,379
11.407	Interjurisdictional Fisheries Act of 1986	Marine Resources	68,801
11.419	Coastal Zone Management Administration Awards	Marine Resources	539,142
11.434	Cooperative Fishery Statistics	Marine Resources	76,237
11.552	Telecommunications and Information Infrastructure Assistance Program	Economic and Community Development / Education	523,964
11.800	Minority Business Development Centers	Economic and Community Development	0
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>1,276,523</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by Federal Department
For the Year Ended June 30, 1997

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>State Grantee Agency</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
12.106	Flood Control Projects	Transportation	396,649
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality	86,702
12.400	Military Construction, National Guard	Military Department	16,391,770
12.4NA	National Guard Training Sites and Logistical Facilities - Other Federal Assistance	Military Department	9,388,768
12.AAC	Operation and Maintenance Funded Projects	Military Department	19,856,822
12.AAD	Special Military Projects	Military Department	3,940,628
12.AAF	Civilian Youth Funded Projects	Military Department	2,128,614
12.AAG	Drug Interdiction and Counter Drug Programs	Military Department	41,222
12.N/A	Teacher and Teacher's Aide Placement Assistance Program	Education	145,117
12.N/A Ñ	Transfer of Excess Personal Property for Counter-Drug Activities	Finance and Administration	2,824,659
12.N/A	AVCRAD Service Support Cooperative Funding Agreement	Military Department	39,065
12.N/A	Equipment Concentration Site (Passed-through from the U.S. Army Reserve)	Military Department	1,080,415
12.N/A	Tennessee-Tombigbee Waterway Wildlife Mitigation Project (Passed-through from the U.S. Army Corps of Engineers)	Wildlife, Fisheries and Parks	<u>3,882,514</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>60,202,945</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
14.169	Housing Counseling Assistance Program	Human Services	0
14.227	Community Development Block Grants/ Special Purpose Grants/Technical Assistance Program	Economic and Community Development	1,281,038
14.228	Community Development Block Grants/State's Program	Economic and Community Development	37,067,079
14.231	Emergency Shelter Grants Program	Economic and Community Development/Human Services	1,357,744
14.239	HOME Investment Partnerships Program	Economic and Community Development	2,151,992
14.241	Housing Opportunities for Persons with AIDS	Health	<u>873,936</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>42,731,789</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

Schedule of Expenditures of Federal Awards by Federal Department For the Year Ended June 30, 1997

CFDA Number	Federal Department/Program Name	State Grantee Agency	Federal Expenditures/ Distributions/ Issuances
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	Environmental Quality	31,687
15.605	Sport Fish Restoration	Marine Resources/Wildlife, Fisheries and Parks	3,547,473
15.611	Wildlife Restoration	Wildlife, Fisheries and Parks	3,323,146
15.612	Endangered Species Conservation	Wildlife, Fisheries and Parks	126,829
15.614	Coastal Wetlands Planning, Protection and Restoration Act	Marine Resources	73,122
15.616	Clean Vessel Act	Marine Resources	22,695
15.618	Administrative Grants for Federal Aid in Sport Fish and Wildlife Restoration	Wildlife, Fisheries and Parks	90,000
15.808	Geological Survey - Research and Data Acquisition	Environmental Quality	69,223
15.904	Historic Preservation Fund Grants-In-Aid	Archives and History	517,147
15.916	Outdoor Recreation - Acquisition, Development and Planning	Wildlife, Fisheries and Parks	303,068
15.N/A	Minerals Management Services	Environmental Quality	<u>13,306</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>8,117,696</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
16.0NA	Domestic Cannabis Eradication/Suppression Program	Narcotics	176,346
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	Public Safety	1,116,817
16.549	Part E - State Challenge Activities	Public Safety	19,651
16.575	Crime Victim Assistance	Public Safety	1,321,160
16.576	Crime Victim Compensation	Finance and Administration	106,000
16.579	Byrne Formula Grant Program	Public Safety	4,680,509
16.582	Crime Victim Assistance/Discretionary Grants	Public Safety	32,457
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	Human Services	11,620
16.588	Violence Against Women Formula Grants	Public Safety	270,265
16.592	Local Law Enforcement Block Grants Program	Public Safety	942
16.593	Residential Substance Abuse Treatment for State Prisoners	Public Safety	1,480
16.603	Corrections - Technical Assistance/Clearinghouse	Corrections	0
16.N/A	Other Federal Assistance	Human Services	<u>27,464</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>7,764,711</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

Schedule of Expenditures of Federal Awards by Federal Department For the Year Ended June 30, 1997

CFDA Number	Federal Department/Program Name	State Grantee Agency	Federal Expenditures/ Distributions/ Issuances
<u>U.S. DEPARTMENT OF LABOR</u>			
17.002	Labor Force Statistics	Employment Security	614,485
17.005	Compensation and Working Conditions Data	Health	11,312
17.203	Labor Certification for Alien Workers	Employment Security	80,938
17.207	Employment Service	Economic and Community Development/Employment Security	7,178,089
17.225	Unemployment Insurance	Employment Security	24,899,849
17.235	Senior Community Service Employment Program	Human Services	1,055,329
17.245	Trade Adjustment Assistance - Workers	Employment Security	96,618
17.246	Employment and Training Assistance - Dislocated Workers	Economic and Community Development/Employment Security	8,900,823
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	Economic and Community Development/Education	338,705
17.250	Job Training Partnership Act	Economic and Community Development	22,127,575
17.2NA	Job Corps	Employment Security	903,346
17.504	Consultation Agreements	Health	41,010
17.600	Mine Health and Safety Grants	Education/Environmental Quality	64,882
17.801	Disabled Veterans' Outreach Program (DVOP)	Employment Security	522,465
17.804	Local Veterans' Employment Representative Program	Employment Security	985,896
TOTAL U.S. DEPARTMENT OF LABOR			<u>67,821,322</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
20.005	Boating Safety Financial Assistance	Wildlife, Fisheries and Parks	242,796
20.205	Highway Planning and Construction	Transportation	206,099,024
20.218	Motor Carrier Safety Assistance Program	Public Safety/Public Service Commission	871,226
20.219	National Recreational Trails Funding Program	Wildlife, Fisheries and Parks	35,479
20.2NA	Roadside Fuel Sampling	Agriculture and Commerce	96,846
20.2NA	Other Federal Assistance	Public Safety	35,307
20.308	Local Rail Freight Assistance	Transportation	66,115
20.500	Federal Transit Capital Improvement Grants	Transportation	419,938
20.505	Federal Transit Technical Studies Grants	Transportation	94,881
20.509	Public Transportation for Nonurbanized Areas	Transportation	2,680,765
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	Transportation	135,474

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI**Schedule of Expenditures of Federal Awards by Federal Department
For the Year Ended June 30, 1997**

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>State Grantee Agency</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
20.600	State and Community Highway Safety	Public Safety	1,671,654
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	Public Safety	24,392
20.602	Motorcycle Helmets and Safety Belt Incentive Grants	Public Safety	5,116
20.700	Pipeline Safety	Public Service Commission	113,190
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	Emergency Management	35,986
20.N/A	403 Incentive Grant	Public Safety	<u>34,910</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>212,663,099</u>
<u>APPALACHIAN REGIONAL COMMISSION</u>			
23.002	Appalachian Supplements to Federal Grant-In-Aid (Area Development)	Economic and Community Development/Education	1,546,690
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects	Economic and Community Development	112,466
23.N/A	Distressed Area Leadership Training Project	Economic and Community Development	<u>0</u>
TOTAL APPALACHIAN REGIONAL COMMISSION			<u>1,659,156</u>
<u>U.S. GENERAL SERVICES ADMINISTRATION</u>			
39.003 Ñ	Donation of Federal Surplus Personal Property	Finance and Administration	<u>16,231,488</u>
<u>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</u>			
45.024	Promotion of the Arts - Grants to Organizations and Individuals	Arts Commission	261,984
45.025	Promotion of the Arts - Partnership Agreements	Arts Commission	409,932
45.129	Promotion of the Humanities - Federal/ State Partnership	Archives and History	0
45.164	Promotion of the Humanities - Public Programs	Archives and History	221,659
45.301	Institute of Museum and Library Services	Archives and History	652
84.154	Public Library Construction and Technology Enhancement	Library Commission	<u>424,353</u>
TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			<u>1,318,580</u>
<u>TENNESSEE VALLEY AUTHORITY</u>			
62.N/A	Low-Income Pilot Program	Human Services	<u>0</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by Federal Department
For the Year Ended June 30, 1997

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>State Grantee Agency</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
64.005	Grants to States for Construction of State Home Facilities	Veterans Affairs Board	4,379,707
64.124	All-Volunteer Force Educational Assistance	Veterans Affairs Board	<u>116,189</u>
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			<u>4,495,896</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
66.001	Air Pollution Control Program Support	Environmental Quality	1,008,482
66.032	State Indoor Radon Grants	Health	24,180
66.419	Water Pollution Control - State and Interstate Program Support	Environmental Quality	1,234,905
66.432	State Public Water System Supervision	Health	954,087
66.433	State Underground Water Source Protection	Environmental Quality/ Oil and Gas Board	220,262
66.435	Water Pollution Control - Lake Restoration Cooperative Agreements	Environmental Quality	1,291
66.454	Water Quality Management Planning	Environmental Quality	174,101
66.458	Capitalization Grants for State Revolving Funds	Environmental Quality	16,650,013
66.460	Nonpoint Source Implementation Grants	Environmental Quality	805,151
66.461	Wetlands Protection - Development Grants	Environmental Quality/ Marine Resources	219,614
66.463	National Pollutant Discharge Elimination System Related State Program Grants	Environmental Quality	178,651
66.606	Surveys, Studies, Investigations and Special Purpose Grants	Environmental Quality/ Wildlife, Fisheries and Parks	104,750
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	Plant Industry	609,233
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	Environmental Quality	64,436
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	Environmental Quality	232,544
66.708	Pollution Prevention Grants Program	Environmental Quality	72,500
66.801	Hazardous Waste Management State Program Support	Environmental Quality	1,163,892
66.802	Superfund State Site-Specific Cooperative Agreements	Environmental Quality	121,341
66.804	State Underground Storage Tanks Program	Environmental Quality	179,336
66.805	Leaking Underground Storage Tank Trust Fund Program	Environmental Quality	919,160
66.808	Solid Waste Management Assistance	Environmental Quality	114
66.809	Superfund State Core Program Cooperative Agreements	Environmental Quality	398,078
66.810	CEPP Technical Assistance Grants Program	Environmental Quality	24,518
66.CWT	Outreach/Operator Training (OME)	Environmental Quality	<u>11,306</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>25,371,945</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI**Schedule of Expenditures of Federal Awards by Federal Department
For the Year Ended June 30, 1997**

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>State Grantee Agency</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
81.041	State Energy Conservation	Economic and Community Development/Finance and Administration	582,865
81.042	Weatherization Assistance for Low-Income Persons	Finance and Administration/ Human Services	1,525,052
81.N/A	Assistance with Updating Building Energy Codes and Standards	Economic and Community Development	35,688
81.N/A	Assessing Development of an Energy Industrial Park	Economic and Community Development	12,331
81.N/A	Other Federal Assistance	Environmental Quality/ Finance and Administration	<u>1,543,718</u>
TOTAL U.S. DEPARTMENT OF ENERGY			<u>3,699,654</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
83.008	Arson Prevention Initiative	Emergency Management	3,150
83.010	National Fire Academy Educational Program	Emergency Management	200
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	Emergency Management	45,638
83.105	Community Assistance Program - State Support Services Element (CAP - SSSE)	Emergency Management	27,693
83.505	State Disaster Preparedness Grants	Emergency Management	48,456
83.516	Disaster Assistance	Emergency Management	2,466,189
83.520	Hurricane Program	Emergency Management	118,534
83.521	Earthquake Hazards Reduction Grants	Emergency Management	60,494
83.534	Emergency Management - State and Local Assistance	Emergency Management	<u>1,401,233</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>4,171,587</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
84.002	Adult Education - State Grant Program	Board for Community and Junior Colleges	2,993,348
84.004	Civil Rights Training and Advisory Services	Education	45,557
84.009	Education of Children with Disabilities in State Operated or Supported Schools	Education	9,546
84.010	Title I Grants to Local Educational Agencies	Education	117,936,282
84.011	Migrant Education - Basic State Grant Program	Education	1,252,941
84.012	Educationally Deprived Children - State Administration	Education	237,853

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

Schedule of Expenditures of Federal Awards by Federal Department For the Year Ended June 30, 1997

CFDA Number	Federal Department/Program Name	State Grantee Agency	Federal Expenditures/ Distributions/ Issuances
84.013	Title I Program for Neglected and Delinquent Children	Education	380,331
84.027	Special Education - Grants to States	Education	24,947,660
84.029	Special Education - Personnel Development and Parent Training	Education	104,129
84.034	Public Library Services	Library Commission	1,121,859
84.035	Interlibrary Cooperation and Resource Sharing	Library Commission	226,387
84.044	TRIO - Talent Search	Education	229,321
84.048	Vocational Education - Basic Grants to States	Education	13,012,491
84.049	Vocational Education - Consumer and Homemaking Education	Education	(10,270)
84.073	National Diffusion Network	Education	21,481
84.126 N	Rehabilitation Services - Vocational Rehabilitation Grants to States	Rehabilitation Services	33,552,065
84.128	Rehabilitation Services - Service Projects	Rehabilitation Services	509,541
84.151	Chapter 2 - State Block Grants	Education	45,006
84.158	Secondary Education and Transitional Services for Youth with Disabilities	Education	100,654
84.164	Eisenhower Mathematics and Science Education - State Grants	Education	129,622
84.167	Library Literacy	Library Commission	1,462
84.169	Independent Living - State Grants	Rehabilitation Services	374,302
84.173	Special Education - Preschool Grants	Education	4,275,675
84.174	Vocational Education - Community Based Organizations	Education	(42,361)
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	Rehabilitation Services	173,829
84.178	Leadership in Educational Administration Development	Education	0
84.181	Special Education - Grants for Infants and Families with Disabilities	Health	3,789,824
84.185	Byrd Honors Scholarships	Education	329,205
84.186	Safe and Drug-Free Schools and Communities - State Grants	Education/Public Safety	5,446,766
84.187	Supported Employment Services for Individuals with Severe Disabilities	Rehabilitation Services	416,547
84.190	Christa McAuliffe Fellowships	Education	19,106
84.192	Adult Education - Literacy Training for Homeless Adults	Board for Community and Junior Colleges	48,018
84.194	Bilingual Education Support Services	Education	52,994
84.196	Education for Homeless Children and Youth	Education	424,123
84.203	Star Schools	Educational Television	3,528,094
84.213	Even Start - State Educational Agencies	Education	1,647,527
84.215	Fund for the Improvement of Education	Education	0
84.216	Capital Expenses	Education	75,863
84.218	State School Improvement Grants	Education	762,532
84.224	State Grants for Assistive Technology	Rehabilitation Services	629,036

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI**Schedule of Expenditures of Federal Awards by Federal Department
For the Year Ended June 30, 1997**

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>State Grantee Agency</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
84.235	Special Projects and Demonstrations for Providing Vocational Rehabilitation Services to Individuals with Severe Disabilities	Rehabilitation Services	98,017
84.243	Tech-Prep Education	Education	1,854,704
84.249	Foreign Languages Assistance	Education	690
84.255	Literacy Programs for Prisoners	Board for Community and Junior Colleges	162,693
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	Rehabilitation Services	186,302
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	Education	4,093,208
84.281	Eisenhower Professional Development State Grants	Education	2,717,181
84.298	Innovative Education Program Strategies	Education	2,547,851
84.303	Technology Challenge Grants	Educational Television	73,140
84.318	Technology Literacy Challenge Fund	Education	<u>4,883</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>230,537,015</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	35,679
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	Human Services	46,748
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	Human Services	153,650
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	Human Services	4,692,341
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	Human Services	3,964,852
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	Human Services	87,363
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	Education/Human Services	36,988
93.049	Special Programs for the Aging - Title VII, Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs	Human Services	2,556
93.050	Special Programs for the Aging - Title II - Preconference Programs for the White House Conference on Aging	Human Services	0
93.110	Maternal and Child Health Federal Consolidated Programs	Health	288,809

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

Schedule of Expenditures of Federal Awards by Federal Department For the Year Ended June 30, 1997

CFDA Number	Federal Department/Program Name	State Grantee Agency	Federal Expenditures/ Distributions/ Issuances
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	845,386
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	Education	(9,377)
93.125	Mental Health Planning and Demonstration Projects	Mental Health	142,654
93.128	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Mental Health Statistics Improvement Program	Mental Health	103,023
93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	Health	190,333
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Mental Health	218,234
93.161	Health Program for Toxic Substances and Disease Registry	Health	56,517
93.184	Disabilities Prevention	Health/Rehabilitation Services	143,622
93.217	Family Planning - Services	Health	4,011,298
93.268 N	Childhood Immunization Grants	Health	11,337,423
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Health	360,520
93.556	Family Preservation and Support Services	Human Services	3,498,155
93.558	Temporary Assistance for Needy Families	Human Services	51,609,036
93.560	Family Support Payments to States - Assistance Payments	Human Services	14,527,923
93.561	Job Opportunities and Basic Skills Training	Human Services	3,327,493
93.563	Child Support Enforcement	Human Services	10,363,377
93.566	Refugee and Entrant Assistance - State Administered Programs	Human Services	973,252
93.568	Low-Income Home Energy Assistance	Finance and Administration/ Human Services	7,834,798
93.569	Community Services Block Grant	Human Services	6,989,878
93.572	Emergency Community Services for the Homeless	Human Services	265,503
93.574	Child Care for Families At-Risk of Welfare Dependency	Human Services	333,244
93.575	Child Care and Development Block Grant	Human Services	16,791,430
93.576	Refugee and Entrant Assistance - Discretionary Grants	Human Services	0
93.585	Empowerment Zones Program	Economic and Community Development/Human Services	531,799
93.586	State Court Improvement Program	Supreme Court	46,485
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	3,971,895
93.614	Child Development Associate Scholarships	Human Services	8,450
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Mental Health	1,180,080
93.643	Children's Justice Grants to States	Human Services	217,461
93.645	Child Welfare Services - State Grants	Human Services	3,608,499
93.656	Temporary Child Care and Crisis Nurseries	Human Services	0
93.658	Foster Care - Title IV-E	Human Services	13,015,612

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

Schedule of Expenditures of Federal Awards by Federal Department For the Year Ended June 30, 1997

CFDA Number	Federal Department/Program Name	State Grantee Agency	Federal Expenditures/ Distributions/ Issuances
93.659	Adoption Assistance	Human Services	862,318
93.667	Social Services Block Grant	Human Services	27,521,802
93.669	Child Abuse and Neglect State Grants	Human Services	506,190
93.671	Family Violence Prevention and Services - Grants to States and Indian Tribes	Health	309,363
93.672	Community-Based Prevention Program	Human Services	3,830
93.673	Grants to States for Planning and Development of Dependent Care Programs	Human Services	53,770
93.674	Independent Living	Human Services	536,704
93.775	State Medicaid Fraud Control Units	Attorney General	632,866
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health/Medicaid	2,785,898
93.778	Medical Assistance Program	Medicaid	1,310,005,683
93.779	Health Care Financing Research, Demonstrations and Evaluations	Human Services/Medicaid	494,982
93.913	Grants to States for Operation of Offices of Rural Health	Health	13,455
93.917	HIV Care Formula Grants	Health	2,452,958
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	Education	141,900
93.940	HIV Prevention Activities - Health Department Based	Health	1,543,710
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health	350,695
93.945	Behavioral Risk Factor Surveillance	Health	30,611
93.958	Block Grants for Community Mental Health Services	Mental Health	2,443,796
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Mental Health	10,002,217
93.977 N	Preventive Health Services - Sexually Transmitted Diseases Control Grants	Health	1,488,446
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	Health	132,813
93.991	Preventive Health and Health Services Block Grant	Health	2,313,138
93.994	Maternal and Child Health Services Block Grant to the States	Health	10,332,763
-----	State Demand and Needs Assessment Studies: Alcohol and Other Drugs (contract)	Mental Health	367,661
-----	Implementation of Uniform Alcohol and Drug Abuse Data Collection System(s) (contract)	Mental Health	21,784
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,541,152,342</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

**Schedule of Expenditures of Federal Awards by Federal Department
For the Year Ended June 30, 1997**

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>State Grantee Agency</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
94.001	National and Community Service Projects (Partially passed-through from the State of Arkansas Department of Human Services, Division of Volunteerism)	Education	5,605
94.004	Learn and Serve America - School and Community Based Programs	Education	381,340
94.006	AmeriCorps (Passed-through from the State of Arkansas Department of Human Services, Division of Volunteerism)	Education	(49,945)
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>337,000</u>
<u>SOCIAL SECURITY ADMINISTRATION</u>			
96.001	Social Security - Disability Insurance	Rehabilitation Services	<u>17,931,026</u>
<u>OTHER FEDERAL ASSISTANCE</u>			
N/A	State Occupational Information Coordinating Committee (SOICC) - (Funds are received from National Occupational Information Coordinating Committee - NOICC)	Economic and Community Development	<u>133,831</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,814,124,038</u>

N Denotes federal programs with non-cash benefits.

(concluded)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards by State Grantee Agency



STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 1997

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures/ Distributions/ Issuances
<u>AGRICULTURE AND COMMERCE</u>		
	U.S. Department of Agriculture:	
10.162	Inspection Grading and Standardization	\$ 891
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	1,031,980
10.950	Agricultural Statistics Reports	<u>111,405</u>
	Total U.S. Department of Agriculture	<u>1,144,276</u>
	U.S. Department of Transportation:	
20.2NA	Roadside Fuel Sampling	<u>96,846</u>
	TOTAL AGRICULTURE AND COMMERCE	<u>1,241,122</u>
<u>ANIMAL HEALTH</u>		
	U.S. Department of Agriculture:	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	<u>55,888</u>
	TOTAL ANIMAL HEALTH	<u>55,888</u>
<u>ARCHIVES AND HISTORY</u>		
	U.S. Department of the Interior:	
15.904	Historic Preservation Fund Grants-In-Aid	<u>517,147</u>
	National Foundation on the Arts and the Humanities:	
45.129	Promotion of the Humanities - Federal/State Partnership	0
45.164	Promotion of the Humanities - Public Programs	221,659
45.301	Institute of Museum and Library Services	<u>652</u>
	Total National Foundation on the Arts and the Humanities	<u>222,311</u>
	TOTAL ARCHIVES AND HISTORY	<u>739,458</u>
<u>ARTS COMMISSION</u>		
	National Foundation on the Arts and the Humanities:	
45.024	Promotion of the Arts - Grants to Organizations and Individuals	261,984
45.025	Promotion of the Arts - Partnership Agreements	<u>409,932</u>
	Total National Foundation on the Arts and the Humanities	<u>671,916</u>
	TOTAL ARTS COMMISSION	<u>671,916</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>ATTORNEY GENERAL</u>		
	U.S. Department of Health and Human Services:	
93.775	State Medicaid Fraud Control Units	<u>632,866</u>
	TOTAL ATTORNEY GENERAL	<u>632,866</u>
<u>BOARD FOR COMMUNITY AND JUNIOR COLLEGES</u>		
	U.S. Department of Education:	
84.002	Adult Education - State Grant Program	2,993,348
84.192	Adult Education - Literacy Training for Homeless Adults	48,018
84.255	Literacy Programs for Prisoners	<u>162,693</u>
	Total U.S. Department of Education	<u>3,204,059</u>
	TOTAL BOARD FOR COMMUNITY AND JUNIOR COLLEGES	<u>3,204,059</u>
<u>CORRECTIONS</u>		
	U.S. Department of Justice:	
16.603	Corrections - Technical Assistance/Clearinghouse	<u>0</u>
	TOTAL CORRECTIONS	<u>0</u>
<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>		
	U.S. Department of Commerce:	
11.552	Telecommunications and Information Infrastructure Assistance Program	49,813
11.800	Minority Business Development Centers	<u>0</u>
	Total U.S. Department of Commerce	<u>49,813</u>
	U.S. Department of Housing and Urban Development:	
14.227	Community Development Block Grants/Special Purpose Grants/ Technical Assistance Program	1,281,038
14.228	Community Development Block Grants/State's Program	37,067,079
14.231	Emergency Shelter Grants Program	1,357,744
14.239	HOME Investment Partnerships Program	<u>2,151,992</u>
	Total U.S. Department of Housing and Urban Development	<u>41,857,853</u>
	U.S. Department of Labor:	
17.207	Employment Service	55,770
17.246	Employment and Training Assistance - Dislocated Workers	8,890,185
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	103,389
17.250	Job Training Partnership Act	<u>22,127,575</u>
	Total U.S. Department of Labor	<u>31,176,919</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
	Appalachian Regional Commission:	
23.002	Appalachian Supplements to Federal Grant-In-Aid (Area Development)	1,546,690
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects	112,466
23.N/A	Distressed Area Leadership Training Project	0
	Total Appalachian Regional Commission	1,659,156
	U.S. Department of Energy:	
81.041	State Energy Conservation	223,305
81.N/A	Assistance with Updating Building Energy Codes and Standards	35,688
81.N/A	Assessing Development of an Energy Industrial Park	12,331
	Total U.S. Department of Energy	271,324
	U.S. Department of Health and Human Services:	
93.585	Empowerment Zones Program	10,000
	Other Federal Assistance:	
N/A	State Occupational Information Coordinating Committee (SOICC) - (Funds are received from National Occupational Information Coordinating Committee - NOICC)	133,831
	TOTAL ECONOMIC AND COMMUNITY DEVELOPMENT	75,158,896
	<u>EDUCATION</u>	
	U.S. Department of Agriculture:	
10.550 N	Food Distribution	10,616,090
10.553	School Breakfast Program	26,092,591
10.555	National School Lunch Program	90,614,850
10.556	Special Milk Program for Children	7,411
10.558	Child and Adult Care Food Program	20,234,867
10.559	Summer Food Service Program for Children	3,339,139
10.560	State Administrative Expenses for Child Nutrition	1,785,046
10.564	Nutrition Education and Training Program	41,418
10.568	Emergency Food Assistance Program (Administrative Costs)	0
10.N/A	Team Nutrition Training Grant	234,286
	Total U.S. Department of Agriculture	152,965,698
	U.S. Department of Commerce:	
11.552	Telecommunications and Information Infrastructure Assistance Program	474,151
	U.S. Department of Defense:	
12.N/A	Teacher and Teacher's Aide Placement Assistance Program	145,117
	U.S. Department of Labor:	
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	235,316
17.600	Mine Health and Safety Grants	0
	Total U.S. Department of Labor	235,316

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
	Appalachian Regional Commission:	
23.002	Appalachian Supplements to Federal Grant-in-Aid (Area Development)	<u>0</u>
	U.S. Department of Education:	
84.004	Civil Rights Training and Advisory Services	45,557
84.009	Education of Children with Disabilities in State Operated or Supported Schools	9,546
84.010	Title I Grants to Local Educational Agencies	117,936,282
84.011	Migrant Education - Basic State Grant Program	1,252,941
84.012	Educationally Deprived Children - State Administration	237,853
84.013	Title I Program for Neglected and Delinquent Children	380,331
84.027	Special Education - Grants to States	24,947,660
84.029	Special Education - Personnel Development and Parent Training	104,129
84.044	TRIO - Talent Search	229,321
84.048	Vocational Education - Basic Grants to States	13,012,491
84.049	Vocational Education - Consumer and Homemaking Education	(10,270)
84.073	National Diffusion Network	21,481
84.151	Chapter 2 - State Block Grants	45,006
84.158	Secondary Education and Transitional Services for Youth with Disabilities	100,654
84.164	Eisenhower Mathematics and Science Education - State Grants	129,622
84.173	Special Education - Preschool Grants	4,275,675
84.174	Vocational Education - Community Based Organizations	(42,361)
84.178	Leadership in Educational Administration Development	0
84.185	Byrd Honors Scholarships	329,205
84.186	Safe and Drug-Free Schools and Communities - State Grants	4,259,663
84.190	Christa McAuliffe Fellowships	19,106
84.194	Bilingual Education Support Services	52,994
84.196	Education for Homeless Children and Youth	424,123
84.213	Even Start - State Educational Agencies	1,647,527
84.215	Fund for the Improvement of Education	0
84.216	Capital Expenses	75,863
84.218	State School Improvement Grants	762,532
84.243	Tech-Prep Education	1,854,704
84.249	Foreign Languages Assistance	690
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	4,093,208
84.281	Eisenhower Professional Development State Grants	2,717,181
84.298	Innovative Education Program Strategies	2,547,851
84.318	Technology Literacy Challenge Fund	<u>4,883</u>
	Total U.S. Department of Education	<u>181,465,448</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
	U.S. Department of Health and Human Services:	
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	329
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	(9,377)
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	<u>141,900</u>
	Total U.S. Department of Health and Human Services	<u>132,852</u>
	Corporation for National and Community Service:	
94.001	National and Community Service Projects (Partially passed-through (from the State of Arkansas Department of Human Services, Division of Volunteerism)	5,605
94.004	Learn and Serve America - School and Community Based Programs	381,340
94.006	AmeriCorps (Passed-through from the State of Arkansas Department of Human Services, Division of Volunteerism)	<u>(49,945)</u>
	Total Corporation for National and Community Service	<u>337,000</u>
	TOTAL EDUCATION	<u>335,755,582</u>
	<u>EDUCATIONAL TELEVISION</u>	
	U.S. Department of Agriculture:	
10.855	Distance Learning and Telemedicine Loans and Grants	<u>126,796</u>
	U.S. Department of Commerce:	
11.300	Economic Development - Grants for Public Works and Infrastructure Development	<u>68,379</u>
	U.S. Department of Education:	
84.203	Star Schools	3,528,094
84.303	Technology Challenge Grants	<u>73,140</u>
	TOTAL U.S. DEPARTMENT OF EDUCATION	<u>3,601,234</u>
	TOTAL EDUCATIONAL TELEVISION	<u>3,796,409</u>
	<u>EMERGENCY MANAGEMENT</u>	
	U.S. Department of Transportation:	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>35,986</u>
	Federal Emergency Management Agency:	
83.008	Arson Prevention Initiative	3,150
83.010	National Fire Academy Educational Program	200

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	45,638
83.105	Community Assistance Program - State Support Services Element (CAP-SSSE)	27,693
83.505	State Disaster Preparedness Grants	48,456
83.516	Disaster Assistance	2,466,189
83.520	Hurricane Program	118,534
83.521	Earthquake Hazards Reduction Grants	60,494
83.534	Emergency Management - State and Local Assistance	<u>1,401,233</u>
	Total Federal Emergency Management Agency	<u>4,171,587</u>
	TOTAL EMERGENCY MANAGEMENT	<u>4,207,573</u>
	<u>EMPLOYMENT SECURITY</u>	
	U.S. Department of Labor:	
17.002	Labor Force Statistics	614,485
17.203	Labor Certification for Alien Workers	80,938
17.207	Employment Service	7,122,319
17.225	Unemployment Insurance	24,899,849
17.245	Trade Adjustment Assistance - Workers	96,618
17.246	Employment and Training Assistance - Dislocated Workers	10,638
17.2NA	Job Corps	903,346
17.801	Disabled Veterans' Outreach Program (DVOP)	522,465
17.804	Local Veterans' Employment Representative Program	<u>985,896</u>
	Total U.S. Department of Labor	<u>35,236,554</u>
	TOTAL EMPLOYMENT SECURITY	<u>35,236,554</u>
	<u>ENVIRONMENTAL QUALITY</u>	
	U.S. Department of Defense:	
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	<u>86,702</u>
	U.S. Department of the Interior:	
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	31,687
15.808	Geological Survey - Research and Data Acquisition	69,223
15.N/A	Minerals Management Services	<u>13,306</u>
	Total U.S. Department of the Interior	<u>114,216</u>
	U.S. Department of Labor:	
17.600	Mine Health and Safety Grants	<u>64,882</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
U.S. Environmental Protection Agency:		
66.001	Air Pollution Control Program Support	1,008,482
66.419	Water Pollution Control - State and Interstate Program Support	1,234,905
66.433	State Underground Water Source Protection	120,105
66.435	Water Pollution Control - Lake Restoration Cooperative Agreements	1,291
66.454	Water Quality Management Planning	174,101
66.458	Capitalization Grants for State Revolving Funds	16,650,013
66.460	Nonpoint Source Implementation Grants	805,151
66.461	Wetlands Protection - Development Grants	190,696
66.463	National Pollutant Discharge Elimination System Related State Program Grants	178,651
66.606	Surveys, Studies, Investigations and Special Purpose Grants	21,442
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	64,436
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	232,544
66.708	Pollution Prevention Grants Program	72,500
66.801	Hazardous Waste Management State Program Support	1,163,892
66.802	Superfund State Site - Specific Cooperative Agreements	121,341
66.804	State Underground Storage Tanks Program	179,336
66.805	Leaking Underground Storage Tank Trust Fund Program	919,160
66.808	Solid Waste Management Assistance	114
66.809	Superfund State Core Program Cooperative Agreements	398,078
66.810	CEPP Technical Assistance Grants Program	24,518
66.CWT	Outreach/Operator Training (OME)	<u>11,306</u>
	Total U.S. Environmental Protection Agency	<u>23,572,062</u>
U.S. Department of Energy:		
81.N/A	Other Federal Assistance	<u>103,260</u>
	TOTAL ENVIRONMENTAL QUALITY	<u>23,941,122</u>
<u>FINANCE AND ADMINISTRATION</u>		
U.S. Department of Defense:		
12.N/A Ñ	Transfer of Excess Personal Property for Counter-Drug Activities	<u>2,824,659</u>
U.S. Department of Justice:		
16.576	Crime Victim Compensation	<u>106,000</u>
U.S. General Services Administration:		
39.003 Ñ	Donation of Federal Surplus Personal Property	<u>16,231,488</u>
U.S. Department of Energy:		
81.041	State Energy Conservation	359,560
81.042	Weatherization Assistance for Low-Income Persons	426,371
81.N/A	Other Federal Assistance	<u>1,440,458</u>
	Total U.S. Department of Energy	<u>2,226,389</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance	0
	TOTAL FINANCE AND ADMINISTRATION	21,388,536
	<u>FORESTRY COMMISSION</u>	
10.063	U.S. Department of Agriculture: Agricultural Conservation Program	3,271
10.064	Forestry Incentives Program	0
10.664	Cooperative Forestry Assistance	641,940
	Total U.S. Department of Agriculture	645,211
	TOTAL FORESTRY COMMISSION	645,211
	<u>HEALTH</u>	
10.557	U.S. Department of Agriculture: Special Supplemental Nutrition Program for Women, Infants, and Children	48,326,007
14.241	U.S. Department of Housing and Urban Development: Housing Opportunities for Persons with AIDS	873,936
17.005	U.S. Department of Labor: Compensation and Working Conditions Data	11,312
17.504	Consultation Agreements	41,010
	Total U.S. Department of Labor	52,322
66.032	U.S. Environmental Protection Agency: State Indoor Radon Grants	24,180
66.432	State Public Water System Supervision	954,087
	Total U.S. Environmental Protection Agency	978,267
84.181	U.S. Department of Education: Special Education - Grants for Infants and Families with Disabilities	3,789,824
93.110	U.S. Department of Health and Human Services: Maternal and Child Health Federal Consolidated Programs	288,809
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	845,386
93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	190,333
93.161	Health Program for Toxic Substances and Disease Registry	56,517
93.184	Disabilities Prevention	143,622
93.217	Family Planning - Services	4,011,298
93.268	Childhood Immunization Grants	11,337,423
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	360,520

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI

**Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997**

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
93.671	Family Violence Prevention and Services - Grants to States and Indian Tribes	309,363
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,251,929
93.913	Grants to States for Operation of Offices of Rural Health	13,455
93.917	HIV Care Formula Grants	2,452,958
93.940	HIV Prevention Activities - Health Department Based	1,543,710
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	350,695
93.945	Behavioral Risk Factor Surveillance	30,611
93.977 Ñ	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,488,446
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	132,813
93.991	Preventive Health and Health Services Block Grant	2,313,138
93.994	Maternal and Child Health Services Block Grant to the States	<u>10,332,763</u>
	Total U.S. Department of Health and Human Services	<u>37,453,789</u>
	TOTAL HEALTH	<u>91,474,145</u>
	<u>HUMAN SERVICES</u>	
	U.S. Department of Agriculture:	
10.551 Ñ	Food Stamps	333,696,166
10.561	State Administrative Matching Grants for Food Stamp Program	25,413,954
10.568	Emergency Food Assistance Program (Administrative Costs)	490,262
10.569 Ñ	Emergency Food Assistance Program (Food Commodities)	1,662,743
10.570	Nutrition Program for the Elderly (Commodities)	<u>1,856,418</u>
	Total U.S. Department of Agriculture	<u>363,119,543</u>
	U.S. Department of Housing and Urban Development:	
14.169	Housing Counseling Assistance Program	0
14.231	Emergency Shelter Grants Program	<u>0</u>
	Total U.S. Department of Housing and Urban Development	<u>0</u>
	U.S. Department of Justice:	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	11,620
16.N/A	Other Federal Assistance	<u>27,464</u>
	Total U.S. Department of Justice	<u>39,084</u>
	U.S. Department of Labor:	
17.235	Senior Community Service Employment Program	<u>1,055,329</u>
	Tennessee Valley Authority:	
62.N/A	Low-Income Pilot Program	<u>0</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
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CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
	U.S. Department of Energy:	
81.042	Weatherization Assistance for Low-Income Persons	<u>1,098,681</u>
	U.S. Department of Health and Human Services:	
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	35,679
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	46,748
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	153,650
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	4,692,341
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	3,964,852
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	87,363
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	36,659
93.049	Special Programs for the Aging - Title VII, Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs	2,556
93.050	Special Programs for the Aging - Title II - Preconference Programs for the White House Conference on Aging	0
93.556	Family Preservation and Support Services	3,498,155
93.558	Temporary Assistance for Needy Families	51,609,036
93.560	Family Support Payments to States - Assistance Payments	14,527,923
93.561	Job Opportunities and Basic Skills Training	3,327,493
93.563	Child Support Enforcement	10,363,377
93.566	Refugee and Entrant Assistance - State Administered Programs	973,252
93.568	Low-Income Home Energy Assistance	7,834,798
93.569	Community Services Block Grant	6,989,878
93.572	Emergency Community Services for the Homeless	265,503
93.574	Child Care for Families At-Risk of Welfare Dependency	333,244
93.575	Child Care and Development Block Grant	16,791,430
93.576	Refugee and Entrant Assistance - Discretionary Grants	0
93.585	Empowerment Zones Program	521,799
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	3,971,895
93.614	Child Development Associate Scholarships	8,450
93.643	Children's Justice Grants to States	217,461
93.645	Child Welfare Services - State Grants	3,608,499
93.656	Temporary Child Care and Crisis Nurseries	0
93.658	Foster Care - Title IV-E	13,015,612
93.659	Adoption Assistance	862,318
93.667	Social Services Block Grant	27,521,802
93.669	Child Abuse and Neglect State Grants	506,190
93.672	Community-Based Prevention Program	3,830
93.673	Grants to States for Planning and Development of Dependent Care Programs	53,770
93.674	Independent Living	536,704
93.779	Health Care Financing Research, Demonstrations and Evaluations	<u>285,702</u>
	Total U.S. Department of Health and Human Services	<u>176,647,969</u>
	TOTAL HUMAN SERVICES	<u>541,960,606</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
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<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>LIBRARY COMMISSION</u>		
	U.S. Department of Education:	
84.034	Public Library Services	1,121,859
84.035	Interlibrary Cooperation and Resource Sharing	226,387
84.167	Library Literacy	<u>1,462</u>
	Total U.S. Department of Education	<u>1,349,708</u>
	National Foundation on the Arts and the Humanities:	
84.154	Public Library Construction and Technology Enhancement	<u>424,353</u>
	TOTAL LIBRARY COMMISSION	<u>1,774,061</u>
<u>MARINE RESOURCES</u>		
	U.S. Department of Commerce:	
11.407	Interjurisdictional Fisheries Act of 1986	68,801
11.419	Coastal Zone Management Administration Awards	539,142
11.434	Cooperative Fishery Statistics	<u>76,237</u>
	Total U.S. Department of Commerce	<u>684,180</u>
	U.S. Department of the Interior:	
15.605	Sport Fish Restoration	302,377
15.614	Coastal Wetlands Planning, Protection and Restoration Act	73,122
15.616	Clean Vessel Act	<u>22,695</u>
	Total U.S. Department of the Interior	<u>398,194</u>
	U.S. Environmental Protection Agency:	
66.461	Wetlands Protection - Development Grants	<u>28,918</u>
	TOTAL MARINE RESOURCES	<u>1,111,292</u>
<u>MEDICAID</u>		
	U.S. Department of Health and Human Services:	
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,533,969
93.778	Medical Assistance Program	1,310,005,683
93.779	Health Care Financing Research, Demonstrations and Evaluations	<u>209,280</u>
	Total U.S. Department of Health and Human Services	<u>1,311,748,932</u>
	TOTAL MEDICAID	<u>1,311,748,932</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

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CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
<u>MENTAL HEALTH</u>		
	U.S. Department of Health and Human Services:	
93.125	Mental Health Planning and Demonstration Projects	142,654
93.128	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Mental Health Statistics Improvement Program	103,023
93.150	Projects for Assistance in Transition from Homelessness (PATH)	218,234
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,180,080
93.958	Block Grants for Community Mental Health Services	2,443,796
93.959	Block Grants for Prevention and Treatment of Substance Abuse	10,002,217
-----	State Demand and Needs Assessment Studies:	
	Alcohol and Other Drugs (contract)	367,661
-----	Implementation of Uniform Alcohol and Drug Abuse Data Collection Systems (contract)	21,784
	Total U.S. Department of Health and Human Services	14,479,449
	TOTAL MENTAL HEALTH	14,479,449
<u>MILITARY DEPARTMENT</u>		
	U.S. Department of Defense:	
12.400	Military Construction, National Guard	16,391,770
12.4NA	National Guard Training Sites and Logistical Facilities - Other Federal Assistance	9,388,768
12.AAC	Operation and Maintenance Funded Projects	19,856,822
12.AAD	Special Military Projects	3,940,628
12.AAF	Civilian Youth Funded Projects	2,128,614
12.AAG	Drug Interdiction and Counter Drug Programs	41,222
12.N/A	Equipment Concentration Site (Passed-through from the U.S. Army Reserve)	1,080,415
12.N/A	AVCRAD Service Support Cooperative Funding Agreement	39,065
	Total U.S. Department of Defense	52,867,304
	TOTAL MILITARY DEPARTMENT	52,867,304
<u>NARCOTICS</u>		
	U.S. Department of Justice:	
16.0NA	Domestic Cannabis Eradication/Suppression Program	176,346
	TOTAL NARCOTICS	176,346
<u>OIL AND GAS BOARD</u>		
	U.S. Environmental Protection Agency:	
66.433	State Underground Water Source Protection	100,157
	TOTAL OIL AND GAS BOARD	100,157

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See accompanying Notes to the Schedules of Expenditures of Federal Awards.

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<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>PLANT INDUSTRY</u>		
	U.S. Department of Agriculture:	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	<u>123,014</u>
	U.S. Environmental Protection Agency:	
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	<u>609,233</u>
	TOTAL PLANT INDUSTRY	<u>732,247</u>
<u>PUBLIC SAFETY</u>		
	U.S. Department of Justice:	
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,116,817
16.549	Part E - State Challenge Activities	19,651
16.575	Crime Victim Assistance	1,321,160
16.579	Byrne Formula Grant Program	4,680,509
16.582	Crime Victim Assistance/Discretionary Grants	32,457
16.588	Violence Against Women Formula Grants	270,265
16.592	Local Law Enforcement Block Grants Program	942
16.593	Residential Substance Abuse Treatment for State Prisoners	<u>1,480</u>
	Total U.S. Department of Justice	<u>7,443,281</u>
	U.S. Department of Transportation:	
20.218	Motor Carrier Safety Assistance Program	3,275
20.2NA	Other Federal Assistance	35,307
20.600	State and Community Highway Safety	1,671,654
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	24,392
20.602	Motorcycle Helmets and Safety Belt Incentive Grants	5,116
20.N/A	403 Incentive Grant	<u>34,910</u>
	Total U.S. Department of Transportation	<u>1,774,654</u>
	U.S. Department of Education:	
84.186	Safe and Drug-Free Schools and Communities - State Grants	<u>1,187,103</u>
	TOTAL PUBLIC SAFETY	<u>10,405,038</u>
<u>PUBLIC SERVICE COMMISSION</u>		
	U.S. Department of Transportation:	
20.218	Motor Carrier Safety Assistance Program	867,951
20.700	Pipeline Safety	<u>113,190</u>
	Total U.S. Department of Transportation	<u>981,141</u>
	TOTAL PUBLIC SERVICE COMMISSION	<u>981,141</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

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CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures/ Distributions/ Issuances
<u>REHABILITATION SERVICES</u>		
U.S. Department of Education:		
84.126 Ñ	Rehabilitation Services - Vocational Rehabilitation Grants to States	33,552,065
84.128	Rehabilitation Services - Service Projects	509,541
84.169	Independent Living - State Grants	374,302
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	173,829
84.187	Supported Employment Services for Individuals with Severe Disabilities	416,547
84.224	State Grants for Assistive Technology	629,036
84.235	Special Projects and Demonstrations for Providing Vocational Rehabilitation Services to Individuals with Severe Disabilities	98,017
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	<u>186,302</u>
Total U.S. Department of Education		<u>35,939,639</u>
U.S. Department of Health and Human Services:		
93.184	Disabilities Prevention	<u>0</u>
Social Security Administration:		
96.001	Social Security - Disability Insurance	<u>17,931,026</u>
TOTAL REHABILITATION SERVICES		<u>53,870,665</u>
<u>SUPREME COURT</u>		
U.S. Department of Health and Human Services:		
93.586	State Court Improvement Program	<u>46,485</u>
TOTAL SUPREME COURT		<u>46,485</u>
<u>TRANSPORTATION</u>		
U.S. Department of Defense:		
12.106	Flood Control Projects	<u>396,649</u>
U.S. Department of Transportation:		
20.205	Highway Planning and Construction	206,099,024
20.308	Local Rail Freight Assistance	66,115
20.500	Federal Transit Capital Improvement Grants	419,938
20.505	Federal Transit Technical Studies Grants	94,881
20.509	Public Transportation for Nonurbanized Areas	2,680,765
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	<u>135,474</u>
Total U.S. Department of Transportation		<u>209,496,197</u>
TOTAL TRANSPORTATION		<u>209,892,846</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

STATE OF MISSISSIPPI
Schedule of Expenditures of Federal Awards by State Grantee Agency
For the Year Ended June 30, 1997

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>VETERANS AFFAIRS BOARD</u>		
	U.S. Department of Veterans Affairs:	
64.005	Grants to States for Construction of State Home Facilities	4,379,707
64.124	All-Volunteer Force Educational Assistance	<u>116,189</u>
	Total U.S. Department of Veterans Affairs	<u>4,495,896</u>
	TOTAL VETERANS AFFAIRS BOARD	<u>4,495,896</u>
<u>WILDLIFE, FISHERIES AND PARKS</u>		
	U.S. Department of Defense:	
12.N/A	Tennessee-Tombigbee Waterway Wildlife Mitigation Project (Passed-through from the U.S. Army Corps of Engineers)	<u>3,882,514</u>
	U.S. Department of the Interior:	
15.605	Sport Fish Restoration	3,245,096
15.611	Wildlife Restoration	3,323,146
15.612	Endangered Species Conservation	126,829
15.618	Administrative Grants for Federal Aid in Sport Fish and Wildlife Restoration	90,000
15.916	Outdoor Recreation - Acquisition, Development and Planning	<u>303,068</u>
	Total U.S. Department of the Interior	<u>7,088,139</u>
	U.S. Department of Transportation:	
20.005	Boating Safety Financial Assistance	242,796
20.219	National Recreational Trails Funding Program	<u>35,479</u>
	Total U.S. Department of Transportation	<u>278,275</u>
	U.S. Environmental Protection Agency:	
66.606	Surveys, Studies, Investigations and Special Purpose Grants	<u>83,308</u>
	TOTAL WILDLIFE, FISHERIES AND PARKS	<u>11,332,236</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ <u>2,814,124,038</u>

Ñ Denotes federal programs with non-cash benefits.

(concluded)

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

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**Notes to the
Schedules of Expenditures of Federal Awards**



STATE OF MISSISSIPPI

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 1997

NOTE 1: PURPOSE OF THE SCHEDULES

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a schedule of expenditures of federal awards showing total federal awards expended for each individual federal program as identified in the *Catalog of Federal Domestic Assistance* (CFDA). To comply with this requirement, the Department of Finance and Administration required each state agency to prepare and submit a schedule of expenditures of federal awards. Information contained in these schedules was combined by the Department of Finance and Administration to form the accompanying schedules of expenditures of federal awards. Federal programs which have not been assigned a CFDA number have been identified.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation - The information in the accompanying schedules of expenditures of federal awards is presented in accordance with OMB Circular A-133. The Schedule of Expenditures of Federal Awards by Federal Department presents a summary of federal awards expended by federal department and CFDA number. The Schedule of Expenditures of Federal Awards by State Grantee Agency presents federal awards expended by recipient agencies of the State of Mississippi.
- Federal Financial Assistance - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, direct appropriations or other assistance. Accordingly, nonmonetary federal assistance, including food stamps, food commodities and surplus property, is included in federal financial assistance and, therefore, is reported on the schedules of expenditures of federal awards. Federal financial assistance does not include direct federal cash assistance to individuals or procurement contracts used to buy goods or services from vendors.
 - Major Programs - The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish a risk-based approach to determine which federal programs are major based on certain expenditure thresholds and risk criteria. However, the circular allows auditors to defer using the risk-based approach for one year. This option was exercised by the Mississippi Office of the State Auditor. Therefore, for fiscal year 1997, major programs for the State of Mississippi are those whose federal expenditures, distributions or issuances exceeded \$8,200,000.

STATE OF MISSISSIPPI

Notes to the Schedules of Expenditures of Federal Awards (continued)

- *Catalog of Federal Domestic Assistance* - The *Catalog of Federal Domestic Assistance* (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA number) which is reflected in the accompanying schedules.
- B. Reporting Entity - The accompanying schedules include all federal programs administered by the State of Mississippi, except for those programs accounted for in the university funds within the component units section of the financial statements, for the year ended June 30, 1997. Expenditures of federal awards provided to the state's public universities and related entities have been audited in accordance with statutory requirements and the provisions of OMB Circular A-110, *Uniform Requirements for Grants to Universities, Hospitals, and Other Nonprofit Organizations*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and separate reports thereon are scheduled to be issued by November 13, 1998.
- C. Basis of Accounting - Federal programs included in the accompanying schedules are accounted for in the state's governmental and proprietary fund types and expendable trust funds. Governmental fund types and expendable trust funds are accounted for by using the modified accrual basis of accounting and proprietary fund types by using the accrual basis of accounting, in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Amounts reflected as distributions in the accompanying schedules for donated federal surplus property are based upon the historical cost as assigned by the federal government. The amounts reflected in the financial statements of the State of Mississippi for the fiscal year ended June 30, 1997, for distributed surplus property are valued at the handling and shipping costs, which more closely approximate fair market value at the date of the transfer of the surplus property to the State of Mississippi.

The value of food commodity distributions on the accompanying schedules was calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect at the date of distribution.

The food stamp issuance amount included in the accompanying schedules is stated at the face value of the food stamp coupons at the date of issuance.

STATE OF MISSISSIPPI

Notes to the Schedules of Expenditures of Federal Awards (continued)

- D. Expenditures and Expenses - Certain transactions relating to expenditures of federal awards may appear in records of more than one state grantee agency. To avoid duplication and the overstatement of the aggregate level of federal awards expended by the State of Mississippi, the following policies have been adopted:
1. When monies are received by one state grantee agency and redistributed (expended) to another state grantee agency (i.e., a pass-through of funds by the primary recipient state grantee agency to a subrecipient state grantee agency), the federal financial assistance will be reflected in the primary receiving/expending state grantee agency's accounts.
 2. Purchases of services between state grantee agencies using federal monies will be recorded as *expenditures* or *expenses* on the purchasing agency's records and as *revenues* for services rendered on the providing agency's records. Therefore, the receipt of expenditures of federal awards is attributed to the purchasing agency, which is the primary receiving/expending state grantee agency.

NOTE 3: OTHER

- A. The accompanying schedules of expenditures of federal awards include distributions of surplus personal property of \$16,231,488 and property for counter-drug activities of \$2,824,659. These distributions were valued at the historical cost assigned by the federal government. These distributions were reported in the financial statements of the State of Mississippi for the year ended June 30, 1997, as charges for sales and services of \$815,000. The amount was based upon handling costs which closely approximates the fair market value at the date of transfer to the state.
- B. Expenditures reflected in CFDA number 14.228 -- Community Development Block Grants/State's Program include payments to Mississippi local governments for community and economic development projects. In subsequent years, program income generated by the use of these funds may be received by the Mississippi Department of Economic and Community Development. When received, these funds will be deposited into a revolving loan fund to be redistributed to the local governments under CFDA number 14.228 for program activities, which in turn, generate payments to the fund for use in carrying out future program activities. At June 30, 1997, the outstanding loan balance for the program totaled \$10,832,694. Total disbursements for new loans for the year ended June 30, 1997 totaled \$3,946,298.

STATE OF MISSISSIPPI**Notes to the Schedules of Expenditures of Federal Awards (continued)**

- C. Expenditures reflected in CFDA number 66.458 -- Capitalization Grants for State Revolving Funds -- include loans to local governments for developing or constructing water treatment facilities. In subsequent years, local governments will be required to repay these funds to the State of Mississippi. When received, these funds are redistributed to local governments through new loans for additional water treatment facility projects. The outstanding loan balance for the year ended June 30, 1997, was \$138,774,170.
- D. The accompanying schedules of expenditures of federal awards include \$359,560 in expenditures related to revenue received by the State of Mississippi resulting from the Exxon Oil Overcharge court settlement. The court settlements received and expended by the State of Mississippi for the Stripper Well Overcharge amounting to \$1,866,829 have been included on the schedules of expenditures of federal awards. The financial statements of the State of Mississippi classify the receipt of these monies as court assessments revenue.
- E. All federal expenditures/distributions/issuances included in the accompanying schedules represent assistance received directly from the federal government, unless otherwise noted. Federal financial assistance received indirectly from the federal government (i.e., passed-through from entities outside of the State of Mississippi) is noted parenthetically.
- F. The State of Mississippi's major federal programs for the year ended June 30, 1997, were based on program activity as defined in Note 2:A. The state's major federal programs for the year ended June 30, 1997, were those whose federal program activity was greater than \$8,200,000. Those programs are as follows:

CFDA

<u>Number</u>	<u>Program Name</u>
10.550	Food Distribution
10.551	Food Stamps
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Food Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program
12.400	Military Construction, National Guard
12.4NA	National Guard Training Sites and Logistical Facilities - Other Federal Assistance
12.AAC	Operation and Maintenance Funded Projects
14.228	Community Development Block Grants/State's Program

STATE OF MISSISSIPPI**Notes to the Schedules of Expenditures of Federal Awards (continued)**

CFDA Number	Program Name
17.225	Unemployment Insurance
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
20.205	Highway Planning and Construction
39.003	Donation of Federal Surplus Personal Property
66.458	Capitalization Grants for State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.268	Childhood Immunization Grants
93.558	Temporary Assistance for Needy Families
93.560	Family Support Payments to States - Assistance Payments
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States
96.001	Social Security - Disability Insurance

- G. State Aid Road Construction is a division of the Mississippi Department of Transportation (MDOT). Federal financial assistance in the amount of \$19,657,248 related to State Aid Road Construction is included on the schedules of expenditures of federal awards under Transportation Department program 20.205 -- Highway Planning and Construction.

STATE OF MISSISSIPPI

Notes to the Schedules of Expenditures of Federal Awards (concluded)

H. Noncash Assistance.

The State of Mississippi participated in several federal programs in which noncash benefits were provided through the state to eligible program participants. These noncash benefits programs are identified on the schedules of expenditures of federal awards with a N to the right of the CFDA number. A listing of these programs follows:

CFDA Number	Program Name
10.550	Food Distribution
10.551	Food Stamps
10.569	Emergency Food Assistance Program (Food Commodities)
12.N/A	Transfer of Excess Personal Property for Counter-Drug Activities
39.003	Donation of Federal Surplus Personal Property
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.268	Childhood Immunization Grants
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants

Note: CFDA number 10.570 -- Nutrition Program for the Elderly is normally a noncash grant, however, the State of Mississippi elected to receive the cash instead (per the grant award).

- I. The National Aeronautics and Space Administration (NASA) donated the Yellow Creek Facility, including furniture, equipment, buildings and land, to the State of Mississippi in fiscal year 1996. These assets are reflected in the general fixed assets account group in the *Comprehensive Annual Financial Report* for the State of Mississippi. NASA also transferred \$10 million in appropriated funds, pursuant to Section 212 of Public Law 104-99, to the State of Mississippi to be used in the transition of the Yellow Creek Facility. Federal requirements were not established regarding the \$10 million other than the monies be expended for the transition of the Yellow Creek Facility. The receipt of the \$10 million was classified in the State of Mississippi's *Fiscal Year 1996 Comprehensive Annual Financial Report* as "other revenue". The State of Mississippi has expended \$2,139,708 of the \$10 million as of fiscal year ended June 30, 1997. The State of Mississippi is not required to return any unused funds to the federal government. These donated assets are deemed not to be federal financial assistance to the State of Mississippi by the Mississippi Department of Economic and Community Development and therefore, are not on the schedules of expenditures of federal awards.

Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results



STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1997

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? X yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified for all major programs except for Special Education-Grants to States (CFDA #84.027) program, which was qualified; major programs of the Mississippi Military Department, which were not audited; and the state's public universities, for which separate reports will be issued.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 X yes no

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number	<u>Name of Federal Program or Cluster</u>
10.550	Food Distribution
10.551	Food Stamps
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Food Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program
12.400	Military Construction, National Guard
12.4NA	National Guard Training Sites and Logistical Facilities - Other Federal Assistance
12.AAC	Operation and Maintenance Funded Projects
14.228	Community Development Block Grants/State's Program
17.225	Unemployment Insurance
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
20.205	Highway Planning and Construction
39.003	Donation of Federal Surplus Personal Property
66.458	Capitalization Grants for State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.268	Childhood Immunization Grants
93.558	Temporary Assistance for Needy Families
93.560	Family Support Payments to States - Assistance Payments
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States
96.001	Social Security - Disability Insurance

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (concluded)

Dollar threshold used to distinguish between
Type A and Type B programs:

 \$8,200,000

Auditee qualified as low-risk auditee?

 yes X no

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Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings



STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1997

PART 2 - FINANCIAL STATEMENT FINDINGS

Introduction

This part of the Schedule of Findings and Questioned Costs presents reportable conditions and material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Findings are arranged in order by state agency with material weaknesses listed first. Each finding has one of the following designations:

- **Reportable Condition** - Matters coming to the auditor's attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the auditor's judgement, could adversely affect the state's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.
- **Material Weakness** - A reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1997

PART 2 - FINANCIAL STATEMENT FINDINGS

**Finding
Number**

Finding and Recommendation

EMPLOYMENT SECURITY

Material Weakness

97-27

Data Security Controls Should be Strengthened

Finding:

Based on a review of the data security at the Mississippi Employment Security Commission, the EDP audit team noted the following internal control weaknesses:

- Passwords are not required to be changed by the computer users.
- The agency does not have a software security package installed on the mainframe computer.
- The agency does not restrict programmers and analysts from accessing production data and program files.
- The agency does not maintain written policies and procedures for virus protection on personal computers.

Recommendation:

The EDP audit team recommends the Mississippi Employment Security Commission conduct a quality assurance review and implement program change control procedures within the EDP department. All program changes should be thoroughly tested, reviewed, and approved by the computer user prior to being placed in production.

Since password protection is the first line of defense from computer hackers and unauthorized access, the system should require computer users to periodically change their passwords at least every 60 days.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

Access to data files and programs should be limited to those individuals authorized to process or maintain particular systems. The agency should procure and install a mainframe software security package such as "RACF" or "Top Secret." The security software should aid in restricting programmers and analysts from accessing data files and program files.

The agency should write and implement policies and procedures to protect the computer systems against viruses. It is important that current virus scanning software is installed on all personal computer work stations.

Reportable Condition

97-28

Disaster Recovery Controls Should be Strengthened

Finding:

Based on a review of the Mississippi Employment Security Commission's disaster recovery plan, the EDP audit team noted the following internal control weaknesses:

- There was a lack of risk analysis and prioritization of mission critical applications.
- There was a lack of written agreement or an arrangement for securing an alternate computer facility and replacing essential EDP equipment in case of a disaster.

Recommendation:

In order to be prepared in the event of a disaster, the audit team recommends the Mississippi Employment Security Commission test and update the disaster recovery plan annually. In addition, the agency should have a written contract or an agreement with its hardware vendor to replace essential EDP equipment and assure availability of a remote off-site computer facility in case of a disaster.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings (continued)

<u>Finding Number</u>	<u>Finding and Recommendation</u>
	<i>Reportable Condition</i>
97-29	<p><u>Agency Should Develop a Long-Range EDP Plan</u></p> <p><i>Finding:</i></p> <p>The Mississippi Employment Security Commission does not have a long-range EDP plan.</p> <p><i>Recommendation:</i></p> <p>The EDP audit team recommends the Mississippi Employment Security Commission develop a three-year long-range plan for the EDP department. The plan should include the agency's mission statement and responsibilities, opportunity areas, project description and statuses, a list of prioritized applications, a hardware and software acquisition plan, ongoing operation costs, the information systems budget, including staff salaries and training requirements, and a copy of a detailed EDP organizational chart.</p> <p><i>Reportable Condition</i></p>
97-30	<p><u>Agency Should Develop Methodology for In-House Computer Applications</u></p> <p><i>Finding:</i></p> <p>The Mississippi Employment Security Commission does not use a structured methodology for designing and developing in-house computer applications.</p> <p><i>Recommendation:</i></p> <p>The EDP audit team recommends the Mississippi Employment Security Commission adopt and implement a formal and structured methodology for designing and developing in-house computer applications. The methodology should include a Systems Development Life Cycle (SDLC) process which includes four major control areas:</p>

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings (continued)

<u>Finding Number</u>	<u>Finding and Recommendation</u>
	(1) Systems planning
	Feasibility studies and user requirements
	Feasibility study
	(2) System design
	Background study of current system
	Identification of systems and user requirements
	Program design and developing code specifications
	(3) Systems development
	Use of structured programming techniques and system testing
	Prototype model development
	Walk-through of system
	Final user acceptance
	(4) Systems implementation
	User training
	User and program documentation

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

FINANCE AND ADMINISTRATION

Reportable Condition

97-31

The Estimate for Retainage Payable Should be Adequately Supported

Finding:

The Department of Finance and Administration - Office of Budget and Accounting did not maintain adequate documentation supporting its estimate of retainage payable recorded on the financial statements.

During testwork on the estimated amount, the agency could not provide the auditor with a detail listing of the individual contracts payable amounts which made up the \$15,808,902 used in its estimate of retainage payable. In addition, we noted errors made by the agency in the calculation of the estimate as follows:

- The estimate for contracts requiring a 10% retainage payable was overstated due to expenditures requiring 5% retainage being incorrectly included.
- The accruals were improperly subtracted from the expenditure amount used in the calculation of the estimate rather than being added.
- The agency's calculation of the projects with zero balances and certificates of deposit in lieu of retainage did not agree with the auditor's calculation.

The estimated retainage payable was overstated by \$991,400 due to these errors. An audit adjustment was required to properly reflect retainage payable on the financial statements.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

Good internal controls dictate that adequate supporting documentation of amounts used and the procedures performed in the calculation of estimated accruals be maintained. In addition, detail supervisory reviews should be performed to ensure any errors are properly detected. Without adequate supporting documentation and adequate supervisory review the accrual for retainage payable could be misstated for financial statement purposes.

Recommendation:

We recommend the Department of Finance and Administration - Office of Budget and Accounting maintain a detail listing of amounts used in the calculation of the estimated retainage payable. In addition, we recommend greater care be exercised during the supervisory review to ensure any errors made in the calculation will be detected. We further recommend the agency develop written procedures to help eliminate errors made in the calculation of the estimate for retainage payable. The agency should consider developing an automated system to account for retainage amounts related to the various projects. An automated system would help ensure greater accuracy of retainage payable amounts recorded in the financial statements.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 - Financial Statement Findings (concluded)

**Finding
Number**

Finding and Recommendation

MEDICAID

Reportable Condition

97-32

Schedule of Federal Grant Activity Should be Properly Prepared

Finding:

During our review of the schedule of federal grant activity at the Office of the Governor - Division of Medicaid, we noted refunds for claims payments were erroneously reduced twice from federal expenditures reported on the schedule of federal grant activity. This error resulted in federal expenditures being understated on the schedule of federal grant activity by \$32,680,490, which caused the financial statement accounts due from federal government and medicaid programs revenue to be understated by the same amounts in treasury fund 3328. Generally accepted accounting principles (GAAP) require that financial systems provide accounting and reporting capabilities which will make it possible to present fairly the financial position and results of operations of the agency. Failure to properly prepare the schedule of federal grant activity resulted in the misstatement of the agency's financial statements, and additional audit time was required to correct this error.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid implement procedures to ensure the schedule of federal grant activity is properly prepared. In addition, we recommend someone other than the preparer of the GAAP package perform a detailed review of the schedule of federal grant activity prior to submission to the Department of Finance and Administration.

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Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings
and Questioned Costs



STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 1997

PART 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by Section 510 (a) of OMB Circular A-133.

Findings are grouped by federal funding agency. Findings within each federal funding agency are then organized by state agency with material weaknesses and material noncompliance listed first. Other findings within the state agency are listed in order by type of compliance requirement as listed in Section 320 (b) (2) (xii) of OMB Circular A-133.

Each finding has one of the following designations:

- **Material Noncompliance** - Conditions representing noncompliance with the provisions of laws, regulations, contracts, or grant agreements, that have a direct and material effect on a major federal program.
- **Immaterial Noncompliance** - Conditions representing noncompliance with the provisions of laws, regulations, contracts, or grant agreements, that do not have a direct and material effect on a major federal program.
- **Reportable Condition** - Matters coming to the auditor's attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in the auditor's judgement, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.
- **Material Weakness** - A reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1997

PART 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE

CFDA/Finding
Number

Finding and Recommendation

HEALTH

SPECIAL TESTS AND PROVISIONS

Material Weakness

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: 3F6704, 1996; 3F7704, 1997

97-18 EDP Controls for MWITS Should be Developed

Finding:

During fiscal year 1996, the Mississippi State Department of Health implemented an automated perpetual inventory system for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This system was to ensure proper accountability and safeguarding for food issuance as required by Code of Federal Regulations (7 CFR 246.12). Our review of the Mississippi WIC Inventory Tracking System (MWITS), in the prior year and current year audits, revealed the following weaknesses:

- There were no written procedures for requesting, approving, and assigning employees passwords (new employees or existing employees who forgot their passwords).
- There were no written procedures for deleting passwords of terminated employees.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

**CFDA/Finding
Number**

Finding and Recommendation

- There was no log of unauthorized access attempts.
- The system did not require periodic changing of passwords.
- A standardized disaster recovery plan document had been developed. However, program specific questions and checklists related to the WIC program had not been completed.

In addition, WIC management PIN numbers and passwords were given to local and district personnel.

Good internal controls require access to EDP systems to be limited to only those individuals authorized to process or maintain particular files. Failure to provide adequate security could result in the loss of vital assets and documentation. The lack of a program specific disaster recovery plan could result in a significant loss of data as well as unnecessary periods of down-time in the event of a disaster.

Recommendation:

We recommend the Mississippi State Department of Health develop EDP controls over the MWITS to ensure system integrity for the Special Supplemental Nutrition Program for Women, Infants, and Children. These controls should include but are not limited to the following:

- Written procedures should be developed for requesting, approving, assigning and deleting passwords.
- A log identifying unsuccessful access attempts should be maintained and periodically reviewed. The number of unsuccessful access attempts by computer users should be limited.
- Since the password protection is the first line of defense from computer hackers and unauthorized access, the system should require users to periodically change their passwords.
- Passwords should be kept confidential.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

In order to be prepared in the event of a disaster, the agency should develop and implement a program specific disaster recovery plan that details the steps to be taken to safeguard the MWITS computer hardware, software and data. Written agreements should be made with vendors to assure swift replacement of hardware and software, if necessary.

SPECIAL TESTS AND PROVISIONS

Material Weakness

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: 3F6704, 1996; 3F7704, 1997

97-19 Inventory Controls Should be Implemented

Finding:

The Mississippi State Department of Health (MSDH) administered food distribution for participants of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through the direct distribution method. With this method the MSDH maintained food inventories in distribution centers located throughout the state. During fiscal year 1996, the agency implemented an automated perpetual inventory system, the Mississippi WIC Inventory Tracking System (MWITS). Our review of the design and implementation of inventory controls of the MWITS system, during the current and prior year audits, revealed the following weaknesses:

- Problems with the food ordering and receipt portions of the MWITS system resulted in food shipments received being recorded as adjustments rather than as additions to inventory balances. This method of recording prevented the WIC central office staff from ensuring all food items received were entered into the MWITS system. It also prevented the reconciliation of payments for food invoices to inventory received per the MWITS system.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

- Communication problems with the computer servers prevented the transfer of information between the local distribution centers and the WIC central office. As a result of these problems, the WIC central office staff could not obtain food distributed amounts from the MWITS system needed for monthly reports.
- Manual calculations of amounts distributed based on inventory counts, transfer and credit documents, and food invoices paid were performed by the WIC central office staff. However, the formula used to recalculate the food amounts distributed resulted in inventory overages or shortages being absorbed in the quantity distributed.

The Code of Federal Regulations (7 CFR Chapter 11 Part 246.12) indicates the state agency is responsible for the fiscal management of and accountability for food delivery systems under its jurisdiction. In addition, the systems for direct distribution of food shall provide for adequate inventory control of food received and unissued food on hand.

As a result of the weaknesses noted, overages and shortages in food inventories could occur and not be detected.

Recommendation:

We recommend the Mississippi State Department of Health implement control procedures to safeguard and account for inventory of food for the Special Supplemental Nutrition Program for Women, Infants, and Children. These procedures should include the following:

- Record food shipments received at local distribution centers in the MWITS system as additions and reconcile food inventory received to food invoices paid.
- Obtain food distribution reports from the MWITS system to ensure accurate reporting and tracking of food distributions, and overages or shortages in food inventories in local distribution centers.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

SPECIAL TESTS AND PROVISIONS

Material Weakness

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: 3F6704, 1996; 3F7704, 1997

97-20 Supervisory Reviews of Food Inventory and Perpetual Records Should be Performed

Finding:

The Mississippi State Department of Health issued food products to participants of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through distribution centers located throughout the state. Section VI. of the State Policy and Procedure WIC Manual provided distribution center policies requiring the WIC distribution center supervisor to perform inventory counts at least once each quarter. During our review of inventory controls, we noted inventory counts by WIC distribution center supervisors were suspended from January 1996 through March 1997.

As a result of the weakness mentioned above, overages and shortages in food inventories could have occurred and not been detected.

Recommendation:

We recommend the Mississippi State Department of Health require WIC distribution center supervisors to perform inventory counts on at least a quarterly basis as outlined in the State Policy and Procedure WIC Manual. These inventory counts should be reconciled to perpetual inventory records and appropriately documented. In addition, we recommend the supervisory review of the inventory records include procedures to ensure food orders received and food distributed amounts have been appropriately recorded in perpetual records.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.268	Childhood Immunization Grants
93.994	Maternal and Child Health Services Block Grant to the States

Federal Award Number and Year: Various

97-21 Internal Controls Over the Time Study System Should be Strengthened

Finding:

The Mississippi State Department of Health established a time study system to collect and analyze employee time report data to identify time worked by activities. During our review of internal controls over the time study system, we noted the following weaknesses:

- Time study reporting forms submitted by agency personnel were received and input to the time study system by one employee. No independent supervisory review was performed over the input process to ensure accuracy.
- Changes to the time study allocation computer programs were not adequately documented and tested. There was no log documenting program changes or written approval for the changes.

Good internal controls require an independent supervisory review of work performed related to the receipt and input of time study reports. Also, good internal controls require the approval, documentation and testing of significant changes to the programs used to allocate time study information.

Without proper independent reviews of work performed, time study information keypunched into the time study system could contain coding errors which may not be detected. In addition, programing changes made which have not been properly approved, documented and tested could result in inaccurate information being distributed to users of the reports.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

**CFDA/Finding
Number**

Finding and Recommendation

Recommendation:

We recommend the Mississippi State Department of Health establish supervisory review procedures over the receipt and input of time study information to ensure accuracy. We further recommend the agency implement internal controls to approve, document and test all significant changes to the time study allocation programs. A log of all program changes should be maintained, documenting written approval and the date changes were made.

REPORTING

Reportable Condition

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: 3F7704, 1997

97-10

Controls Over the Preparation of the FNS-498 Report Should be Strengthened

Finding:

The Code of Federal Regulations (7 CFR 246.25.b) requires state agencies to submit financial and program performance reports on a monthly basis for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The Mississippi State Department of Health completes the WIC Monthly Financial Management and Participation Report (FNS-498) in compliance with this regulation.

In our review of internal control, we noted a weakness in the preparation of these reports. There was no supervisory review and verification of the accuracy of the reports prior to submission to the federal funding agency. We tested one of the twelve reports issued for fiscal year 1997. On the July 1997 FNS-498 report (with the June 1997 closeout figures) actual food outlays for June 1997 were understated by \$71,652 or 2.6 percent. This error had not been detected by agency personnel.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

Good internal controls require supervisory reviews of work performed to ensure any errors or omissions are properly detected. Failure to properly report actual figures on the FNS-498 report could impede the United States Department of Agriculture's ability to properly monitor program expenditures and program performance.

Recommendation:

We recommend the Mississippi State Department of Health strengthen internal controls over the preparation of the WIC Monthly Financial Management and Participation Report (FNS-498). An employee other than the preparer should review the report for accuracy and completeness prior to submission to the federal funding agency. This employee should document this review by initialing the report.

HUMAN SERVICES

SPECIAL TESTS AND PROVISIONS

Reportable Condition

10.551

Food Stamps

97-14

Food Coupons Returned to Inventory Should be Reconciled

Federal Award Number and Year: 12-35-2841

Finding:

Differences were noted in amounts reported as food coupons returned to inventory at the Mississippi Department of Human Services. Amounts returned to inventory per the "Coupon Allotments to be Returned to Inventory" report prepared by the agency's county offices did not agree with amounts actually returned to inventory according to the report prepared by the agency's independent contractor for food coupon issuances.

Upon further review, we noted the state agency had no procedures in place to reconcile returns reported by its county offices to returns recorded by its independent contractor.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF AGRICULTURE (concluded)

**CFDA/Finding
Number**

Finding and Recommendation

Good internal controls require procedures be in place to properly account for food coupons returned to inventory. Failure to reconcile items returned to inventory could allow errors to occur and not be detected by agency personnel.

Recommendation:

We recommend the Mississippi Department of Human Services implement control procedures to review and reconcile food coupons returned to inventory. These procedures should include reconciling returns reported by the agency's independent contractor for food coupon issuances to returns reported by the agency's county offices. These reconciliations should be available for audit review.

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STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF EDUCATION

CFDA/Finding
Number

Finding and Recommendation

EDUCATION

SUBRECIPIENT MONITORING

Material Noncompliance

84.027

Special Education - Grants to States

Federal Award Number and Year: H027A60108-97, 1997

Questioned Costs: \$0

97-7

Subrecipients Should be Monitored in Accordance with State Plan

Finding:

During our review of the Special Education - Grants to States Program at the Mississippi State Department of Education for fiscal year 1997, we noted that monitoring visits were not being performed in accordance with the program's State Plan. Per the State Plan, at least 20% of school districts, private schools, and state agencies participating in the program will be monitored each year. In fiscal year 1997, only 12% of the participating organizations received monitoring visits.

Without proper monitoring of subrecipients, it is possible for noncompliance with federal requirements to exist and go undetected.

Recommendation:

We recommend that the Mississippi State Department of Education follow its established procedures for monitoring Special Education - Grants to States Program subrecipients.

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STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA/Finding
Number

Finding and Recommendation

ATTORNEY GENERAL

SPECIAL TESTS AND PROVISIONS

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

97-1

Disposition of Complaints Should be Documented

Finding:

For fiscal years 1996 and 1997, there were 176 cases recorded in the complaint log maintained by the Medicaid Fraud Control Unit of the Mississippi Office of the Attorney General. Five of eighteen complaints selected from this complaint log for our test work had no action documented in the complaint file other than the complaint being taken. These complaints had been received between March 1996 and March 1997. We could not determine if these complaints had been reviewed. Good internal control practices require the disposition of all complaints be documented.

Recommendation:

We recommend the Medicaid Fraud Control Unit of the Mississippi Office of the Attorney General follow its procedures to document the disposition of all complaints received.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation
	<u>HEALTH</u>
	ALLOWABLE COSTS/COST PRINCIPLES
	<i>Reportable Condition</i>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.268	Childhood Immunization Grants
93.994	Maternal and Child Health Services Block Grant to the States
	Federal Award Number and Year: Various
97-21	<u>Internal Controls Over the Time Study System Should be Strengthened</u>
	<i>Finding:</i>
	<p>The Mississippi State Department of Health established a time study system to collect and analyze employee time report data to identify time worked by activities. During our review of internal controls over the time study system, we noted the following weaknesses:</p> <ul style="list-style-type: none">• Time study reporting forms submitted by agency personnel were received and input to the time study system by one employee. No independent supervisory review was performed over the input process to ensure accuracy.• Changes to the time study allocation computer programs were not adequately documented and tested. There was no log documenting program changes or written approval for the changes. <p>Good internal controls require an independent supervisory review of work performed related to the receipt and input of time study reports. Also, good internal controls require the approval, documentation and testing of significant changes to the programs used to allocate time study information. Without proper independent reviews of work performed, time study information keypunched into the time study system could contain coding errors which may not be detected. In addition, programing changes made which have not been properly approved, documented and tested could result in inaccurate information being distributed to users of the reports.</p>

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

Recommendation:

We recommend the Mississippi State Department of Health establish supervisory review procedures over the receipt and input of time study information to ensure accuracy. We further recommend the agency implement internal controls to approve, document and test all significant changes to the time study allocation programs. A log of all program changes should be maintained, documenting written approval and the date changes were made.

MATCHING, LEVEL OF EFFORT, EARMARKING

Reportable Condition

93.994

Maternal and Child Health Services Block Grant to the States

Federal Award Number and Year: 96BIMSMCHS04, 1996;
97BIMSMCHS03, 1997

97-6

Internal Control Procedures over State Match Requirements Should be Established

Finding:

The Maternal and Child Health Services Block Grant to the States (MCH) administered by the Mississippi State Department of Health has a match requirement. The United States Code, Subchapter V, Chapter 7, Title 42 (42 U.S.C.703a) requires every four federal dollars expended for the program must be matched by three state dollars. The Mississippi State Department of Health's Director of Finance and Accounts prepares a match calculation worksheet once a year after the close of the fiscal year to determine if the required match has been obtained. This worksheet is not independently reviewed for accuracy. Good internal controls require supervisory reviews of work performed.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding

Number

Finding and Recommendation

Should the required match not be obtained or the match calculation be incorrect, the Mississippi State Department of Health could be required to reimburse the granting agency for any federal program expenditures not properly matched.

Recommendation:

We recommend the Mississippi State Department of Health establish internal controls over the preparation of the match calculation worksheet for the Maternal and Child Health Services Block Grant to the States. These controls should ensure an employee other than the preparer reviews the worksheet calculations for accuracy and completeness. This employee should document this review by initialing the worksheet.

HUMAN SERVICES

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.667	Social Services Block Grant

97-12	<u>Cost Allocation Plan Should be Amended Timely</u>
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Federal Award Number and Year: Various

Questioned Costs: \$0

Finding:

Eight cost pools used to allocate costs at the Mississippi Department of Human Services during fiscal year 1997 were not included in the approved cost plan. As a result, the plan did not reflect all pools used to allocate costs. Over \$1 million in costs were allocated to these pools in fiscal year 1997. The omission of these same cost pools was cited in the 1996 single audit report.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

On March 31, 1997, the state agency submitted an amendment to its cost allocation plan to include four of the eight cost pools noted above. The U.S. Department of Health and Human Services did not approve these four cost pools, but requested additional information on May 6, 1997.

The state agency did not issue a written response to this request until February 25, 1998, after audit testwork was completed. In addition, the auditor was informed there were no amendments to the cost allocation plan when audit testwork began. We learned of this amendment after audit testwork was completed.

On the summary schedule of prior year single audit findings, the state agency indicated this finding was fully corrected. The results of our audit follow-up procedures indicated this finding was not fully corrected.

OMB Circular A-87, Attachment A requires the distribution of any joint costs related to a grant program be supported by a cost allocation plan. All costs included in the plan should be supported by formal accounting records. Any costs charged to a cost pool which is disallowed by the federal grantor agency could result in questioned costs.

Recommendation:

As the Mississippi Department of Human Services becomes aware of the need for additional changes to its cost allocation plan, we recommend the state agency request federal approval and provide any necessary information to the federal grantor agency immediately to ensure such changes are approved timely.

We further recommend the state agency's personnel be reminded of the importance of providing accurate information to the auditors when requested.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation
	ALLOWABLE COSTS/COST PRINCIPLES
	<i>Reportable Condition</i>
93.563	Child Support Enforcement Federal Award Number and Year: G9704MS4004, 1997
97-25	<u>Agency Should Track Changes in Funding Source Requirements for Child Support Enforcement Program</u> <i>Finding:</i> The Mississippi Department of Human Services makes expenditures for the Child Support Enforcement (CSE) program from a combination of funding sources. These sources include federal revenue, state appropriated funds and incentive funds retained from child support collections. The amount of federal funds available during any one calendar quarter is limited to the amount of approved federal spending authority for that quarter. State appropriated funds are allotted on a semi-annual basis. Incentive funds are a percentage of child support collections and are allotted on a quarterly basis. As a result of limits noted above, the agency may spend more/less in state appropriated funds in one quarter than required. The over/under use of state appropriated funds is subsequently corrected when federal spending authority or incentive funds are available. Our review indicated the agency did not maintain adequate support to distinguish the funding source requirements for the CSE program at any given point in time during fiscal year 1997. Without adequate support, any over/under use of state appropriated funds would not be detected and adjusted in a timely manner. Good internal control procedures would include tracking the over/underfunding source requirements to ensure over/under use of funds are adjusted in a timely manner.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Human Services continue its efforts to develop internal control procedures for documenting funding source requirements of the Child Support Enforcement program. This documentation should be kept on a continuous basis throughout the fiscal year.

CASH MANAGEMENT

Reportable Condition

93.667 Social Services Block Grant

Federal Award Number and Year: G9701MSSOSR, 1997

97-26 Controls Should be Established to Ensure Treasury-State Agreement is Followed

Finding:

Testwork performed on the Cash Management Improvement Act at the Mississippi Department of Human Services for fiscal year 1997 revealed the agency was not requesting federal funds for the Social Services Block Grant (SSBG) program costs in accordance with the Treasury-State Agreement.

An amendment to the Treasury-State Agreement effective July 1, 1996, changed the average day of clearance for the SSBG program from two days to four days. However, the state agency continued to request federal funds for SSBG program costs using the two-day clearance pattern.

Good internal controls dictate procedures should be in place to ensure amendments to the Treasury-State Agreement are implemented on the effective date of the amendment.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Human Services establish control procedures to ensure Treasury-State Agreement amendments are implemented on the effective date of the amendment.

REPORTING

Immaterial Noncompliance

93.563

Child Support Enforcement

Federal Award Number and Year: 9704MS4004, 1997

Questioned Costs: \$0

97-23

Adjustments to OCSE-34 Report Should be Supported

Finding:

The Mississippi Department of Human Services was required to submit a quarterly report on collections (OCSE-34) for the Child Support Enforcement program. This information was required to obtain a grant award under Titles IV-A and IV-D (Sections 403, 455 and 457) of the Social Security Act (42 U.S.C. 603, 655 and 657). Our review of the report issued for the quarter ended June 1997 revealed unsupported adjustments totaling \$1,302,214 to collections. As a result, we could not determine if the adjustments were reasonable and proper. Documentation should be maintained to support all amounts included on federal reports.

Recommendation:

We recommend the Mississippi Department of Human Services maintain supporting documentation for all amounts included on federal reports. This documentation should be sufficiently detailed and logically organized in order to facilitate audit review.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

REPORTING

Reportable Condition

93.575

Child Care and Development Block Grant

97-11

CCDBG Federal Reports Should Agree With Agency Records

Federal Award Number and Year: G93B1MSCARE, 1993
 G94B1MSCARE, 1994
 G95B1MSCARE, 1995

Finding:

Expenditures reported to the federal grantor agency for the period ended September 30, 1996, by the Mississippi Department of Human Services on the Child Care and Development Block Grant (CCDBG) annual report (ACF-700) and the 1995 grant year financial status report (FSR-269) did not agree with the agency's records. In the reports, administrative expenditures were transferred between grant years so they would not exceed maximum limits for administrative expenditures for any one grant year. Although amounts on the reports reflect these transfers, agency records were not adjusted for these transfers.

Indirect costs were allocated based on the department's cost allocation system. Indirect costs allocated to the CCDBG program were allocated by reporting category by grant year. Since indirect costs were only allocated after each quarter ended, CCDBG program personnel may not have known they exceeded the administrative expenditure limit until after the quarter.

Although it did not appear the maximum administrative expenditure levels had been exceeded for the CCDBG program as a whole, agency accounting records reflected administrative expenditure levels had been exceeded in particular grant years. Since agency accounting records were not adjusted, federal reports differed from accounting records.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

Good internal controls dictate financial information reported to federal grantor agencies should agree with agency records. Control procedures should be in place to ensure agency records accurately reflect actual expenditures as reported to the federal grantor agency.

Recommendation:

We recommend the Mississippi Department of Human Services establish control procedures to ensure agency records accurately reflect actual expenditures as reported to the federal grantor agency. Differences between the agency's accounting records and federal reports should be resolved immediately after they are identified.

We further recommend the state agency make all necessary adjustments to agency records related to the Child Care and Development Block Grant annual report (ACF-700) and financial status report (FSR-269) issued during fiscal year 1998 by fiscal year end June 30, 1998.

SUBRECIPIENT MONITORING

Reportable Condition

93.558 Temporary Assistance for Needy Families
93.575 Child Care and Development Block Grant
93.667 Social Services Block Grant

97-13 Subrecipient Audits Should be Received Timely

Federal Award Number and Year: Various

Finding:

The Mississippi Department of Human Services provided subrecipients \$25,000 or more of federal financial assistance through a variety of federal programs, during fiscal year 1996.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

For fiscal year 1996 OMB Circular A-128 required the primary recipient of federal funds to determine whether subrecipients had met the appropriate audit requirements.

Our review of internal controls for fiscal year 1997 indicated the agency did not have adequate procedures in place to determine when subrecipients' fiscal year 1996 audits were due. As a result, three of the ten subrecipients tested in fiscal year 1997 had submitted their fiscal year 1996 audit in an untimely manner and two had not yet submitted their fiscal year 1996 audit to the state agency's Bureau of Audit and Evaluation. Without ensuring audit reports are received from subrecipients, it is possible for federal noncompliance by subrecipients to exist and go undetected.

Recommendation:

We recommend the Mississippi Department of Human Services continue its efforts to improve internal controls for monitoring subrecipients to ensure subrecipient audits are received in a timely manner and in accordance with current federal audit requirements.

To facilitate this process, we further recommend the agency take the following steps:

- Revise all subrecipient contracts to include the subrecipient's fiscal year-end date on the contract. When contracts are reviewed by the state agency's Bureau of Audit and Evaluation through the in-house review process, the subrecipient's fiscal year-end date should be recorded on the monitoring tracking system.
- Mail letters to subrecipients approximately two to three months prior to the due date of audit reports to remind them of the Single Audit requirements.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation
	SPECIAL TESTS AND PROVISIONS
	<i>Immaterial Noncompliance</i>
93.563	Child Support Enforcement Federal Award Number and Year: 9704MS4004, 1997 Questioned Costs: \$0
97-24	<u>Agency Should Follow Established Policies for the Child Support Enforcement Program</u> <i>Finding:</i> We tested 39 cases in the Division of Child Support Enforcement at the Mississippi Department of Human Services and noted the following instances of noncompliance with federal regulations: <ul style="list-style-type: none">• <u>Location</u> - In 3 of 20 cases, attempts to locate the absent parent were not documented, not made timely, not continued, and/or not made at all.• <u>Established Paternity</u> - Attempts to establish paternity were not documented in 4 of 20 cases.• <u>Established Support Obligation</u> - In 6 of 20 cases, the agency did not establish a support obligation when appropriate.• <u>Enforcement of Support Obligation</u> - Appropriate enforcement action was not timely or not made at all in 15 of 20 cases.• <u>Separation of Duties for Handling Cash</u> - The functions of personnel handling cash were not separated in accordance with federal regulations in 2 of 10 counties tested. Also, these counties did not have federal waivers of the requirement for separation of duties for handling cash.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

The Code of Federal Regulations (45 CFR 302 and 303) prescribes standards for Child Support Enforcement program operations. Failure to comply with these standards could lead to sanctions by the federal funding authority.

Recommendation:

We recommend the Department of Human Services adhere to existing policies and procedures regarding special federal regulations for the Child Support Enforcement program.

We further recommend the agency take appropriate actions to ensure the noted counties comply with agency policy and federal regulations concerning cash handling procedures.

SPECIAL TESTS AND PROVISIONS

Reportable Condition

93.563

Child Support Enforcement

Federal Award Number and Year: 9604MS4004, 1996
9704MS4004, 1997

97-22

Internal Controls Over METSS Bank Account Should be Improved

Finding:

The Mississippi Department of Human Services implemented the Mississippi Enforcement and Tracking of Support System (METSS) to monitor child support enforcement and collection activities. Our review of the policies and procedures related to the METSS bank account at the state office revealed the following weaknesses:

- METSS Bank Reconciliations

The reconciliation process for the METSS bank account was not adequate to ensure the amounts being transferred out of the county bank accounts agreed with the amounts being transferred into the state bank account.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

- Separation of Duties in State Office

Separation of duties for the METSS state office bank account transactions was not adequate. One individual had responsibility for setting up new accounts, changing existing accounts, deleting accounts, and initiating transfers.

A good system of internal controls would include independent checks on performance of duties and adequate reconciliation procedures over cash receipts. Lack of these controls increases the possibility of errors occurring and not being detected by the agency in a timely manner.

These control weaknesses were cited in our 1995 and 1996 audit reports and also cited in an internal audit report issued January 3, 1996, by the Division of Program Integrity.

On the summary schedule of prior year single audit findings, the state agency indicated this finding was fully corrected. The results of our audit follow-up procedures indicated this finding was not fully corrected.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen internal control procedures for the Child Support Enforcement program's METSS bank account at the state office. These procedures should include the following actions:

- Perform timely reconciliations between the METSS state office bank account statements and transactions recorded in the METSS system.
- Develop separation of duties over the METSS state office bank account. No one individual should have authorization to both initiate transfers and make changes to bank accounts.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

MEDICAID

ACTIVITIES ALLOWED OR UNALLOWED

Immaterial Noncompliance

93.778

Medical Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

Questioned Costs: Not determinable

97-15

Outpatient Hospital Claims Should be Paid in Accordance With the State Plan

Finding:

During our audit at the Office of the Governor - Division of Medicaid, we noted the outpatient hospital claims were not paid in accordance with the Mississippi Medicaid State Plan. Attachment 4.19-B of the state plan requires the state to "pay 75% of usual and customary charges for outpatient hospital services, not to exceed costs as determined under the Title XVIII". When testing our claims sample, it appeared that Medicaid was reimbursing the hospitals 75% of the amount billed for services. Only laboratory, radiology, and renal dialysis services appeared to be paid correctly. These services had fee schedules listed in the Medicaid Management Information System (MMIS). Management stated these schedules were obtained from Medicare. The other outpatient hospital services should have usual and customary charges not exceeding Medicare cost limitations listed in the MMIS. Without such limitations in the system, the hospitals could submit charges that exceed their usual and customary charges as well as the costs determined by the Medicare program.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding

Number

Finding and Recommendation

Of 20 items examined, 11 items were paid to the providers at 75% of the billed amount. This resulted in potential erroneously paid claims of \$1,757 out of \$2,355. Questioned costs would be the difference between 75% of the billed amount and 75% of the usual and customary charges subject to Medicare cost limitations. We could not determine the amount of questioned costs. It is projected that total questioned costs in the population would be greater than \$10,000. The total population for outpatient claims in fiscal year 1997 was 586,935 items or \$98,083,244.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid pay the outpatient hospital claims in accordance with the Mississippi Medicaid State Plan or revise the outpatient hospital payment policy in the current state plan.

ACTIVITIES ALLOWED OR UNALLOWED

Reportable Condition

93.778

Medicaid Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

97-9

Controls Over the Review of Crossover Mismatch Reports Should be Strengthened

Finding:

The Office of the Governor - Division of Medicaid will pay the coinsurance plus deductible on claims for recipients who qualify for both Medicaid and Medicare. These claims are referred to as "crossover claims". Claims that qualify for both Medicaid and Medicare are first sent to one of the Medicare intermediaries for payment.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

After the claim has been processed by the Medicare intermediary, the claim information is submitted by tape to the Division of Medicaid. The claim is then processed for payment on the Medicaid system based on the matching of the Medicare number reported on the claim to a Medicare number in the Medicaid system. Claims which cannot process because the provider numbers do not match are reported on the crossover mismatch report, which consists of the Medicare provider number and the claim's internal control number.

A Medicare provider directory, which lists the provider's name and Medicare number, is needed in order to process claims listed on the crossover mismatch report. Based upon our review, the fiscal agent did not maintain a Medicare provider directory for hospitals during the fiscal year. In addition, the crossover mismatch reports applicable to all other providers were not being reviewed in a timely manner. Lastly, crossover mismatch reports were not maintained by the fiscal agent after the reviews were completed to document the disposition of the claims which did not process.

Good internal controls over claims payments should include prompt reviews of the crossover mismatch reports to ensure providers receive compensation for their crossover claims in a timely manner.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen internal controls over the fiscal agent regarding the review of the crossover mismatch reports to ensure providers receive compensation for crossover claims in a timely manner. We further recommend the agency request updated provider directories be provided to the fiscal agent from the Medicare intermediaries on a quarterly basis.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

ACTIVITIES ALLOWED OR UNALLOWED

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

97-16

Internal Controls Over Provider Rate and Claims Adjustments Should be Improved

Finding:

During our review of inpatient hospital per diem rates at the Office of the Governor - Division of Medicaid (DOM), we noted the mass adjustment for the University of Mississippi Medical Center for fiscal year 1996 had not been processed by the fiscal agent. Upon further review, we found that DOM has inadequate procedures in place to ensure the fiscal agent implements revised per diem rates and makes necessary adjustments to the provider paid claims history. Of the 926 "Provider Rate & Claims Adjustment Transmittals" logged as having been sent to the fiscal agent during the 1997 fiscal year, we found 133, or 14%, with no "Date Approved" entered on the log indicating return of the completed transmittal by the fiscal agent. Without proper follow-up by DOM, it is possible for the paid claims history to remain unadjusted resulting in over or under payments to providers.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid revise their follow-up procedures to provide that a second "Provider Rate & Claims Adjustment Transmittal" be sent to the fiscal agent after no response has been received to the original transmittal within a specified time frame. We further recommend the division follow-up with the fiscal agent on the 133 transmittals that have not been returned to them to ensure the adjustments are made.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

ALLOWABLE COSTS / COST PRINCIPLES

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

97-2

Internal Controls Should be Strengthened to Ensure Recovery of Third Party Insurance

Finding:

While performing claims testwork at the Office of the Governor - Division of Medicaid, we noted one instance in which the recipient had third party insurance but reimbursement from the third party was not sought. Good internal controls would include procedures to ensure reimbursement is sought from third party resources.

Agency personnel stated this error occurred because the effective date of the policy was not entered into the system. The program logic relating to third party insurance recovery excludes any record (and associated claims) in which entries in the field for policy effective dates are zeroes. An investigation by agency personnel showed that approximately 2,000 records had invalid policy dates. Possible reimbursement from third party resources could remain unrecovered. A computer service request has been completed by the agency and sent to the fiscal agent requesting a systematic update to correct the files and recovery efforts for appropriate claims be initiated.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen internal controls to ensure all third party insurance files contain valid policy dates. We further recommend the Division of Medicaid seek reimbursement from the related third party insurers as soon as the corrections to the files have been made.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

SPECIAL TESTS AND PROVISIONS

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

97-8

Internal Controls Over Desk Reviews and Audits Should be Strengthened

Finding:

The Office of the Governor - Division of Medicaid's contract with the fiscal agent requires desk reviews be completed and data transmitted to the division on or before the thirtieth day after the contractor's receipt of the cost report in order to complete the rate setting process. These desk reviews are required on nursing facilities, intermediate care facilities/mental retardation facilities, hospitals, home health agencies, federally qualified health centers, and rural health clinics enrolled for any part of the year being audited. The fiscal agent is also required to conduct audits of nursing facility resident fund accounts at least once a year in each facility in accordance with guidelines established by the Division of Medicaid. The Division of Medicaid may assess the fiscal agent \$500 per day for each review/audit not completed on time or when an incorrect allowance is given.

Our review of the fiscal agent contract management reports prepared by the Systems Information Division of the Division of Medicaid disclosed recommended sanctions against the fiscal agent totaling \$24,516,017 for fiscal year 1997. Of this amount, \$24,276,450 related to the performance of untimely and/or incorrect desk reviews by the fiscal agent on provider cost reports and the untimely performance of audits of nursing facility resident fund accounts. The \$24,276,450 of recommended sanctions are broken down as follows:

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

- delinquent audits performed on resident fund accounts at the nursing facilities totaled \$13,321,000.
- the delinquent submission and/or incorrect preparation of desk reviews/audits of cost reports for hospitals, home health agencies, nursing facilities and federally qualified health centers totaled, \$4,571,000, \$2,606,500, \$2,949,450 and \$828,500, respectively.

The remaining \$239,567 of recommended sanctions related to data communications, report production, timeliness of processing claims and adjustments, and system documentation.

It is the decision of the executive director to determine whether recommended sanctions will be imposed. We noted that none of these recommended sanctions were imposed on the fiscal agent.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen internal controls in order to ensure the fiscal agent performs desk reviews and audits in accordance with the requirements of the contract. We further recommend the Division of Medicaid consider imposing sanctions against the fiscal agent if noncompliance with the contract requirements continues.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

SPECIAL TESTS AND PROVISIONS

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 059705MS5028, 1997

97-17

Inpatient Hospital Utilization Records Should be Maintained in an Auditable Manner

Finding:

The Office of the Governor - Division of Medicaid contracted with a peer review organization (PRO) to conduct the post-payment reviews of the need for and the quality and timeliness of Medicaid inpatient hospital services. These reviews are required to be conducted on a sample basis by the Code of Federal Regulations (42 CFR 456.22 and 456.23). In order to review controls over inpatient hospital utilization, we requested the sample methodology, a list of cases sampled during the year, the quality assurance reviews completed and the supporting documentation.

The PRO, at the close of the contract, turned over boxes of documents that were not consistently and clearly labeled in a manner that allowed the information to be readily audited. Only one box of quality assurance review cases could be located containing only 49 cases related to the year being audited. The documentation relating to the sample methodology and a list of the cases sampled was not provided to us and could not be located in the boxes. The contractual agreement signed by the PRO states, "The books, records, and documents of the (PRO).... shall be maintained in conformity with generally accepted accounting principles....". Without a clear audit trail, we were unable to determine the adequacy of the agency's internal controls over the inpatient hospital utilization program.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

Recommendation:

We recommend the Office of the Governor - Division of Medicaid formulate written policies and procedures to help ensure the PRO's quality assurance review sampling program is well documented and reviews are maintained in an auditable manner. We further recommend the agency monitor the new PRO to ensure compliance with the terms of the contract and federal regulations.

MENTAL HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93.959

Block Grants for Prevention and Treatment of Substance Abuse

Federal Award Number and Year: 96BIMSSAPT, 1996;
97BIMSSAPT, 1997

97-3

Procedures Should be Developed to Adequately Support Administrative Costs

Finding:

The Mississippi Department of Mental Health did not have a system in place to adequately document the salaries and wages charged as administrative costs to the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program. There was no time reporting system in place whereby employees documented time spent on grant related activities, and the program was not included in the department's indirect cost rate agreement.

According to Office of Management and Budget (OMB) Circular A-87, Attachment B, subsection B.11.h, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on documented payrolls.

Part 3 - Federal Award Findings and Questioned Costs (continued)**CFDA/Finding
Number**

When employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the prescribed standards, unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required when employees work on more than one federal award and/or a federal award and non-federal award.

Without a system in place to adequately document salaries and wages charged to the SAPT program, these costs may be determined to be unallowable. It should be noted that the SAPT program was included in the department's indirect cost rate agreement for fiscal year 1998.

We recommend the Mississippi Department of Mental Health support salaries and wages charged to the SAPT program as administrative costs in accordance with the standards prescribed by Office of Management and Budget (OMB) Circular A-87, Attachment B.

Reportable Condition

93.959 Block Grants for Prevention and Treatment of Substance Abuse

Federal Award Number and Year: 95BIMSSAPT, 1995;
96BIMSSAPT, 1996

97-5 Internal Controls over Earmarking Requirements Should be Strengthened

The Mississippi Department of Mental Health did not routinely document, based on actual expenditures, that earmarking requirements were met for specific block grant years.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding

Number

Finding and Recommendation

Federal regulations (42 USC 300x-22) require the state expend not less than 35% for prevention and treatment activities regarding alcohol, not less than 35% for prevention and treatment activities regarding other drugs, not less than 20% for primary prevention programs for individuals who do not require treatment for substance abuse, and not less than 5% for treatment services designed for pregnant women and women with dependent children. Since expenditures were not recorded in the accounting records by the grant year to which they applied, we were unable to determine that earmarking requirements were met.

It should be noted that for fiscal year 1998, the expenditures are being recorded in the accounting records by the grant year to which they apply.

Recommendation:

We recommend the Mississippi Department of Mental Health document, based on the actual expenditures, that earmarking requirements are met for specific block grant years in accordance with federal regulations. We further recommend the department continue to identify the grant year the expenditures relate to in the accounting records.

STATE OF MISSISSIPPI

Schedule of Findings and Questioned Costs

Part 3 - Federal Award Findings and Questioned Costs (concluded)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (concluded)

CFDA/Finding
Number

Finding and Recommendation

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Reportable Condition

93.959

Block Grants for Prevention and Treatment of Substance Abuse

Federal Award Number and Year: 95BIMSSAPT, 1995;
96BIMSSAPT, 1996

97-4

Internal Controls Should be Established over Period of Availability Requirements

Finding:

The funds allocated to subrecipients of the Mississippi Department of Mental Health consist of both current year funds and carryover funds from the prior year. Any funds not spent by the subrecipient at the end of its one-year grant period are forfeited. These carryover funds are combined with an estimate of the new year federal grant award. This amount is then reallocated to the subrecipients as their new year grant award. However, the source of the funds was not specified in the grant award or in the accounting records in fiscal year 1997. It should be noted that the source of funds is specified in the grant award and accounting records for fiscal year 1998.

Federal regulations (42 USC 300x-62) state "...any amounts paid to a State under the program involved shall be available for obligation until the end of the fiscal year for which the amounts were paid, and if obligated by the end of such year, shall remain available for expenditure until the end of the succeeding fiscal year." Therefore, any funds not obligated at the end of the first year cannot be obligated or expended in the second year of the grant. Since the accounting records did not document the actual federal grant award which the allocations or expenditures related to, we could not determine compliance with this requirement.

Recommendation:

We recommend the Mississippi Department of Mental Health continue to account for the allocation and expenditure of each federal grant award separately so compliance with federal regulations can be documented.

II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS



STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1997

Introduction

Each state grantee agency included in the prior year Single Audit Report for the State of Mississippi completed a summary schedule of prior federal audit findings as required by OMB Circular A-133, Section 315 (b). These schedules are maintained on file in the Office of the State Auditor. The following summary schedule presented in this report is a recapitulation of information submitted by the individual state grantee agencies.

The findings are arranged in numerical order with the CFDA number, state agency name and finding heading indicated.

Explanation of Columns:

Status - This column indicates the status of prior year federal audit findings as reported by the state grantee agency.

Corrective Action Taken - The state grantee agency indicated the finding had been fully corrected and no additional actions are needed.

Not Corrected or Partially Corrected - The state grantee agency indicated the finding was not corrected or only partially corrected. The agency's planned corrective action as well as any partial corrective action taken are described in the Section III, "Management's Response and Corrective Action Plan."

Not Valid - The state grantee agency believes the audit finding is no longer valid and does not warrant further action.

***Planned Action** references the page number in the "Management's Response and Corrective Action Plan" in Section III of this report. This section describes the planned corrective action as well as any partial corrective action taken.

****Current Finding** references the fiscal year 1997 finding included in this report in the "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs."

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings
Introduction (concluded)

Several findings make reference to notes. These notes made by the auditor are explained as follows:

Note 1: These fiscal year 1996 findings did not meet the criteria specified in OMB Circular A-133, Section 510 (a) for inclusion in the fiscal year 1997 Single Audit Report. Thus, the auditor determined the deficiency was not required to be reported in the "Schedule of Findings and Questioned Costs."

Note 2: The Mississippi Department of Human Services indicated corrective action had been taken to fully correct findings 96-15 and 96-22. However, the results of our audit follow-up procedures indicated these findings were not fully corrected. We included similar findings for the same or other programs in the "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" of this report as findings number 97-22 and 97-12, respectively.

Note 3: Corrective action was not taken by the state grantee agency until after fiscal year 1997 ended. Therefore, a federal audit finding for the same or other programs for fiscal year 1997 has been included in this report.

STATE OF MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1997**

CFDA Number	<u>State Agency/ Finding Number and Heading</u>	<u>Status</u>	<u>Planned Action* / Current Finding**</u>
83.534	<u>EMERGENCY MANAGEMENT:</u> 96-1. Internal Controls Over Subrecipient Eligibility Requirements Should be Strengthened	Corrective Action Taken	None
83.534	<u>EMERGENCY MANAGEMENT:</u> 96-2. Internal Controls Over Subrecipient Monitoring Should be Strengthened	Corrective Action Taken	None
64.005	<u>VETERANS AFFAIRS BOARD:</u> 96-3. Internal Controls Over Davis-Bacon Act Should be Implemented	Not Corrected	Note 1
64.005	<u>VETERANS AFFAIRS BOARD:</u> 96-4. Controls Should be Strengthened Over Cash Management	Corrective Action Taken	None
64.005	<u>VETERANS AFFAIRS BOARD:</u> 96-5. Controls to Ensure Compliance with Federal Regulations Should be Implemented	Not Corrected	Note 1
64.005	<u>VETERANS AFFAIRS BOARD:</u> 96-6. Procedures Should be Implemented to Ensure Compliance with Matching Requirements	Not Corrected	Note 1
11.407 15.605 15.614	<u>MARINE RESOURCES:</u> 96-7. Subrecipients Should be Monitored in Accordance with OMB Circular A-128	Corrective Action Taken	None

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action* / Current Finding**
16.540	<u>PUBLIC SAFETY:</u> 96-8. Agency Should Establish Controls for Submission of Reports	Partially Corrected	Note 1
17.207 17.225	<u>EMPLOYMENT SECURITY:</u> 96-9. Cash Management Improvement Act Should be Properly Implemented	Corrective Action Taken	None
12.N/A 39.003	<u>FINANCE AND ADMINISTRATION:</u> 96-10. Internal Controls Over Posting to Restriction Listings Should be Improved	Corrective Action Taken	None
12.N/A 39.003	<u>FINANCE AND ADMINISTRATION:</u> 96-11. Inventory Should be Adequately Documented and Safeguarded	Corrective Action Taken	None
93.586	<u>SUPREME COURT:</u> 96-12. Agency Should Designate EEO Officer	Corrective Action Taken	None
93.586	<u>SUPREME COURT:</u> 96-13. Agency Should Develop Drug-free Workplace Policy	Corrective Action Taken	None
14.228	<u>ECONOMIC AND COMMUNITY DEVELOPMENT:</u> 96-14. Internal Controls Should be Established for Matching and Earmarking Requirements	Corrective Action Taken	None
93.563	<u>HUMAN SERVICES:</u> 96-15. Internal Controls over METSS Bank Accounts Should be Improved	Corrective Action Taken	page 136 97-22 Note 2

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action*/ Current Finding**
93.563	HUMAN SERVICES: 96-16. Agency Should Track Changes in Funding Source Requirements for Child Support Enforcement Program	Corrective Action Taken	page 132 97-25 Note 3
93.563	HUMAN SERVICES: 96-17. OCSE-131 Reports Should Reflect Actual Expenditures	Corrective Action Taken	None
10.570 14.231 17.235 81.042 93.043 93.044 93.045 93.560 93.561 93.566 93.568 93.569 93.572 93.574 93.575 93.667 93.673 93.674 93.779	HUMAN SERVICES: 96-18. Subrecipient Audits Should be Received Timely	Partially Corrected	page 133 97-13
93.568	HUMAN SERVICES: 96-19. Monitoring Policy Should be Followed	Corrective Action Taken	None
93.560 93.563 93.575 93.667	HUMAN SERVICES: 96-20. Treasury-State Agreement Should be Revised and Implemented	Corrective Action Taken	None

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action* / Current Finding**
93.575	<u>HUMAN SERVICES:</u>	Corrective Action	None
93.667	96-21. Clearance Pattern Calculations Should Include All Program Activities	Taken	
10.561	<u>HUMAN SERVICES:</u>	Corrective Action	page 129
10.568	96-22. Cost Allocation Plan Should be Revised	Taken	97-12
14.231			Note 2
17.235			
81.042			
93.042			
93.044			
93.560			
93.561			
93.563			
93.568			
93.569			
93.574			
93.575			
93.645			
93.658			
93.667			
93.673			
93.779			
10.551	<u>HUMAN SERVICES:</u>	Corrective Action	None
93.560	96-23. Client Case Files Should be Complete	Taken	
10.551	<u>HUMAN SERVICES:</u>	Corrective Action	None
	96-24. Maximum Monthly Net Income Level Should Be Accurate	Taken	
93.561	<u>HUMAN SERVICES:</u>	Not Valid	Note 1
	96-25. Participation Rates Were Not Met		
93.561	<u>HUMAN SERVICES:</u>	Not Valid	Note 1
	96-26. Reports Should be Submitted as Required		

STATE OF MISSISSIPPI

Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action* / Current Finding**
93.563	<u>HUMAN SERVICES:</u> 96-27. Agency Should Follow Established Policies and Procedures	Partially Corrected	page 131 97-24
12.N/A	<u>WILDLIFE, FISHERIES AND PARKS:</u> 96-28. Controls Over Requests for Federal Funds Should be Strengthened	Corrective Action Taken	None
20.205	<u>TRANSPORTATION:</u> 96-29. Contractors' Employees Should be Paid Correctly	Corrective Action Taken	None
20.205	<u>TRANSPORTATION:</u> 96-30. Payments for Attorneys' and Consultants' Fees Should Have Prior Approval	Corrective Action Taken	None
10.564	<u>EDUCATION:</u> 96-31. Earmarking Controls Should be Implemented	Corrective Action Taken	None
96-32. (FINDING NUMBER NOT USED IN FISCAL YEAR 1996)			
10.550 10.553 10.555 10.558	<u>EDUCATION:</u> 96-33. Subrecipients Should be Monitored in Accordance with OMB Circular A-133	Corrective Action Taken	None
10.557	<u>HEALTH:</u> 96-34. EDP Controls for MWITS Should be Developed	Partially Corrected	page 126 97-18

STATE OF MISSISSIPPI

Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action*/ Current Finding**
10.557	<u>HEALTH:</u>	Corrective Action	None
14.241	96-35. A Written Disaster Recovery Plan	Taken	
17.005	Should be Developed		
66.032			
66.432			
84.181			
93.110			
93.116			
93.118			
93.130			
93.161			
93.184			
93.217			
93.268			
93.283			
93.671			
93.777			
93.913			
93.917			
93.940			
93.944			
93.977			
93.988			
93.991			
93.994			
93.994	<u>HEALTH:</u>	Partially Corrected	Note 1
	96-36. A Quality Assurance Function Should		
	be Developed for PIMS		
93.994	<u>HEALTH:</u>	Corrective Action	None
	96-37. An Off-Site Storage Facility Should be	Taken	
	Maintained for PIMS		
93.994	<u>HEALTH:</u>	Partially Corrected	Note 1
	96-38. Data Security Controls Should be		
	Developed for PIMS		

STATE OF MISSISSIPPI

Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action*/ Current Finding**
93.994	HEALTH: 96-39. A Written Disaster Recovery Plan Should be Developed for PIMS	Corrective Action Taken	None
10.557	HEALTH: 96-40. Inventory Controls Should be Implemented	Corrective Action Taken	page 125 97-19 Note 3
93.268 93.994	HEALTH: 96-41. Agency Should Ensure Subrecipient Audit Requirements are Met	Not Valid	Note 1
10.557 93.994	HEALTH: 96-42. CMIA Annual Report Contained Unallowed Direct Costs and Incorrect Interest Amounts	Corrective Action Taken	None
93.778	MEDICAID: 96-43. Desk Reviews Should be Performed in Compliance with Contract Requirements	Partially Corrected	page 144 97-8
93.778	MEDICAID: 96-44. Adjustments to Long-Term Care Facility Rates Should be made in a Timely Manner	Partially Corrected	Note 1
93.778	MEDICAID: 96-45. Internal Controls Should be Strengthened to Ensure Survey and Certification Functions are Performed on Long-Term Care Facilities	Corrective Action Taken	None

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings (continued)

CFDA Number	State Agency/ Finding Number and Heading	Status	Planned Action*/ Current Finding**
93.778	<u>MEDICAID:</u> 96-46. Per Diem Rates for Long-Term Care Facilities Should be Computed Correctly	Partially Corrected	Note 1
93.778	<u>MEDICAID:</u> 96-47. Rate Setting Data Sheets for Inpatient Hospitals Should be Accurate	Corrective Action Taken	None
93.778	<u>MEDICAID:</u> 96-48. Disproportionate Share Payments Should be Computed Correctly	Corrective Action Taken	None
93.777	<u>MEDICAID:</u> 96-49. Program Expenditures Should be Properly Allocated to the Federal Government	Not Corrected	Note 1
93.959	<u>MENTAL HEALTH:</u> 96-50. Procedures Should be Developed to Adequately Support Administrative Costs	Corrective Action Taken	page 147 97-3 Note 3
93.958	<u>MENTAL HEALTH:</u> 96-51. Internal Controls over Level of Effort Requirements Should be Strengthened	Corrective Action Taken	None
93.959	<u>MENTAL HEALTH:</u> 96-52. Internal Controls over Earmarking Requirements Should be Strengthened	Corrective Action Taken	page 148 97-5 Note 3
93.958 93.959	<u>MENTAL HEALTH:</u> 96-53. Internal Controls Should be Established over Accounting for Federal Grant Awards	Corrective Action Taken	page 148 97-4 Note 3

STATE OF MISSISSIPPI**Summary Schedule of Prior Federal Audit Findings (concluded)**

<u>CFDA Number</u>	<u>State Agency/ Finding Number and Heading</u>	<u>Status</u>	<u>Planned Action*/ Current Finding**</u>
84.126	<u>REHABILITATION SERVICES:</u> 96-54. Determination of an Individual's Eligibility Should be Made Within a Reasonable Period of Time	Corrective Action Taken	None
66.458	<u>ENVIRONMENTAL QUALITY:</u> 96-55. Subrecipients Should be Monitored in Accordance with OMB Circular A-128	Corrective Action Taken	None

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III. MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN



STATE OF MISSISSIPPI

INSTRUCTIONS FOR MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN

In order to provide a systematic approach for agencies to respond to audit findings, the management of each agency was requested to follow the instructions listed below in preparation of the formal response to single audit findings and the corrective action plan.

For each AUDIT FINDING, the agency should include the following: (1) *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) type of compliance requirement, (3) audit finding number and finding heading, (4) response, and (5) corrective action plan. These items are discussed below:

1. Each CFDA number and program name should be listed in the same sequence presented in the management letter. The entire finding is not required to be repeated.
2. Each type of compliance requirement should be listed in the same sequence as presented in the management letter.
3. Each audit finding number and finding heading should be listed separately in the same sequence as presented in the management letter. The entire finding is not required to be repeated.
4. Responses of the agency to audit findings should be included directly below each audit finding heading. For each response, the agency should state whether they concur or do not concur with the individual finding and recommendation and the reasons why.
5. After an audit finding heading has been listed along with in the corresponding agency response, the plan for corrective action should be listed using the following format:
 - a. Specific steps to be taken to correct situation.
 - b. Name(s) of the contact person(s) responsible for corrective action.
 - c. Anticipated completion date for corrective action.
 - d. Specific reasons why corrective action is not necessary, if applicable.

STATE OF MISSISSIPPI**Instructions for Management's Response and
Corrective Action Plan (concluded)**

OMB Circular A-133, Section 400 requires audit findings to be resolved between federal agencies and audited agencies within six months after the receipt of the single audit report by the federal government. Audited agencies should maintain permanent files on all correspondence with the federal government during the audit resolution process. Federal agencies may ask for additional information pertaining to audit findings.

On the following pages, we have compiled the formal response to the findings and recommendations and the corrective action plan of each agency's management.

STATE OF MISSISSIPPI



OFFICE OF THE ATTORNEY GENERAL

MIKE MOORE
ATTORNEY GENERAL

MEDICAID FRAUD
DIVISION

May 22, 1998

Honorable Phil Bryant
State Auditor
3750 I-55 North
Frontage Road
Jackson, MS 39211

Hand Delivered


Re: Single Audit Finding for the Medicaid Fraud Control Unit
Of the Attorney General's Office for Fiscal Year 1997

Dear Mr. Bryant:

Enclosed is a corrected Response to Single Audit Finding. Through inadvertence and a word processing error, the previous copy you received was mailed by mistake; it had numerous margin errors and omitted the first sentence of the response.

I apologize for any inconvenience my mistake may have caused your office.

Sincerely,


Kenny O'Neal, Director
Medicaid Fraud Control Unit

**Response
To
Single Audit Finding**

97-1

It is our belief no finding exists. After consideration of (OMB) Circular A-133 and further consideration of the federal regulatory duties, responsibilities and reporting requirements of the Medicaid Fraud Control Unit, our Office submits the finding is not a reportable condition.

The audit findings in this report reference OMB Circular A-133, Subpart E, Section .510 (a)(1):

(1) Reportable conditions in internal control over major programs. The auditor's determination of whether a deficiency in internal control is a reportable condition for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program or an audit objective identified in the compliance supplement. The auditor shall identify reportable conditions which are individually or cumulatively material weaknesses.

The Unit's responsibilities are found in 42 CFR Section 1007.11. This federal regulation makes a clear distinction between **fraud cases and abuse/neglect complaints**. Sub-part (a) addresses fraud investigations and prosecutions; sub-part (b) addresses complaints alleging abuse or neglect of patients in care facilities. The regulation addresses complaints only in the area of abuse/neglect; it does not address complaints in the area of fraud, but only cases and prosecutions.

The pertinent text of 42 CFR Section 1007.11 is as follows:

(a) The unit will conduct a Statewide program for investigating and prosecuting (or referring for prosecution) violations of all applicable State laws pertaining to fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of providers of medical assistance under the State Medicaid plan.

(b)(1) The unit will also review complaints alleging abuse or neglect of patients in health care facilities receiving payments under the State Medicaid plan and may review complaints of the misappropriation of patients' private funds in such facilities.

The distinction between fraud cases and abuse/neglect complaints is also found in the federal regulation governing the contents of the annual report to be submitted to the secretary of HHS/OIG. The pertinent portion of the regulation for the annual report is found in 42 CFR Section 1007.17:

At least 60 days prior to the expiration of the certification period, the unit will submit to the Secretary a report covering the last 12 months (the first 9 months of the certification period for the first annual report), and containing the following information--

(a) The number of investigations initiated and the number completed or closed,

categorized by type of provider;

(b) The number of cases prosecuted or referred for prosecution; the number of cases finally resolved and their outcomes; and the number of cases investigated but not prosecuted or referred for prosecution because of insufficient evidence;

(c) The number of complaints received regarding abuse and neglect of patients in health care facilities; the number of such complaints investigated by the unit; and the number referred to other identified State agencies; ...

The lack of documentation in the five cited complaint files is not a failure of the unit to comply with its duties and responsibilities under the federal regulations. Complaint No. 96-302-016 C was related to the placement of a child requiring long term psychiatric treatment, while Complaint No. 96-309-035 C was a physician disgruntled about the establishment of a provider based Rural Health Clinic (RHC) in his area by a home health agency which was causing him to lose patients. Complaint No. 96-310-075 C had to do with a fax received from HHS/OIG marked "information only" and Complaint No. 97-4A12-022 C was a duplication of an existing open complaint file. Each of these was a fraud complaint, not an abuse/neglect complaint. The federal regulations make the distinction between abuse complaints and fraud investigations; the only time "complaint" is mentioned is in the context of an abuse/neglect complaint. The investigator receiving the calls has more than twenty (20) years experience in reviewing Medicaid Fraud complaints having worked for the Governor's Division of Medicaid prior to coming to work for the Attorney General's Office. This individual knew from the conversations that no complaint files were necessary and that none of the reports met the criteria to be forwarded to another State agency.

Complaint No. 96-4A17-105 C involved a complaint from the daughter-in-law of a Medicare/Medicaid recipient regarding what appeared to be multiple ambulance service charges on a bill. After the investigator completed an online review of the Medicaid provider history file, he determined that no charges had been submitted to Medicaid for payment; therefore, the complaint was without merit. Again, the report did not constitute a legitimate complaint.

In no instance has any complaint of Medicaid fraud gone unattended or lacked being addressed in a timely manner. Measures are in place to ensure that complaint files are not opened in error. However, these "findings" in no way "identify reportable conditions."

If a performance or compliance audit were conducted, the following facts would be discovered during fiscal years 1996 and 1997: the Medicaid Fraud Control Unit of the Attorney General's Office reviewed 176 complaints, investigated 40 Medicaid Fraud cases, and prosecuted 14 of the cases investigated with an 87.50% conviction rate. Additionally, this unit recovered \$1,251,735 in restitution.

The finding in the report is not a violation of the federal regulations nor does it meet the criteria necessary to be a reportable condition for an audit finding as stated in OMB Circular A-133.

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Mississippi Department of Education

Richard A. Boyd, Ed.D., Interim State Superintendent of Education

Office of Educational Accountability • Judy C. Rhodes
Director • 601-359-2038 • Fax: 601-359-1748

Single Audit Findings

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

May 15, 1998

Dear Mr. Bryant:

This correspondence is in response to the "Single Audit Finding" on Special Education contained in your management letter dated April 21, 1998. This finding is also contained in the Single Audit for fiscal year 1997.

Audit Finding:

84.027 Special Education - Grants to States

Federal Award Number and Year: H027A60108-97, 1997

Material Noncompliance

97-7 Subrecipients Should Be Monitored in Accordance with State Plan

Response and Corrective Action Plan:

The Department concurs with the finding that we did not monitor in compliance with the state plan in place during the fiscal year under review. However, mitigating circumstances because of the change in federal law and the lack of final federal regulation prevented Mississippi and all other states from monitoring LEAs in accordance with the approved state plan. The U S Office of Special Education visited Mississippi in April 1997 for a federal review and again in January 1998 to review our implementation plan for the new regulations and were aware of our monitoring activities during both of these visits. During neither of these visits, nor subsequently, was an issue made of our monitoring activities.

Mississippi will perform monitoring activities in accordance with the state plan as soon as the final federal regulations are implemented.

Phil Bryant
May 15, 1998
page 2 of 2

Should you have any questions, please contact Paul Baggett at 359-3526.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Boyd". The signature is stylized with large, sweeping loops for the letters.

Richard Boyd
Interim State Superintendent of Education



Mississippi Employment Security Commission

Thomas E. Lord
Executive Director

Miranda A. Beard, *Commissioner*
Laurel

Jim Ingram, *Chairman*
Tupelo

Alfred L. Price, *Commissioner*
Jackson

January 29, 1998

FINANCIAL AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In response to your letter dated January 7, 1998, regarding the Financial Audit Findings for the Mississippi Employment Security Commission for fiscal year 1997, I have addressed the following findings:

AUDIT FINDINGS:

Data Security Controls Should be Strengthened 97-27

Response: We agree with this finding.

Corrective Action Plan:

- A. We have purchased CA-PANAPT, which is a change control software tool that will restrict programmers and analysts from accessing production programs. This product has been installed, and training will be scheduled during the first quarter of 1998. We have also purchased CA-Verify which is a quality assurance testing tool for CICS, CA-Interrest Batch and CICS. Training on these products is now being held. All program changes are tested, reviewed, and approved by the user prior to being placed in production. A new Service Request form, which requires supervisor review and approval, has already been implemented.

A new security package will be installed by the end of 1998. This software among other things will require passwords to be changed periodically.

We have also installed Virus Scan software on all PC's at MESC and it will be updated as new releases are published. In addition, a draft of an Executive Bulletin containing policies and procedures to protect the computer systems against viruses as well as other agency policies concerning personal computers is in the approval process now and should be released in February, 1998.

- B. N/A
- C. It will be the responsibility of the Data Processing department head to ensure that once these products are installed that our staff is using these products and following agency policy.
- D. We plan to have these changes in place by the first quarter of 1999.

Disaster Recovery Controls Should be Strengthened 97-28

Response: We agree with this finding.

Corrective Action Plan:

- A. Our Disaster Recovery Plan is updated quarterly. Testing is done periodically by requesting files from our offsite facility. An entire system test cannot be accomplished within the narrow frame of production processing. With current production running three shifts, five days a week, and anticipating weekend work with Year 2000 testing, this will be done as time allows.

One of the deliverables of our Year 2000 project is a risk analysis and prioritization of mission critical applications. This is expected to be completed by the end of February, 1998.

We have been unable to secure a written agreement to replace our equipment or assure availability of a remote off-site computer facility that is not cost prohibitive. We will continue pursuing this as time allows.

- B. N/A
- C. It will be the responsibility of the Data Processing department head to continue following up on the feasibility of a disaster replacement agreement for our equipment or for an agreement for an alternate computer facility.
- D. We plan to have this completed by the first quarter of 1999.

Agency should Develop a Long-Range EDP Plan 97-29

Response: We agree with this finding.

Corrective Active Plan:

- A. At the end of the assessment phase of the agency's Year 2000 conversion project, we will have the list of prioritized applications. This is scheduled for completion in January or February, 1998. Also, we have just contracted with Wang Corporation for a complete network upgrade study. This study is scheduled to begin February 1, 1998, and will be the first step in preparing a long-range plan.

- B. N/A

Phil Bryant, State Auditor
January 29, 1998
Page Three

- C. It will be the responsibility of the Data Processing department head to develop a long-range plan EDP plan.
- D. We plan to have a long range EDP plan in place by the fourth quarter of 1998.

Agency Should Develop Methodology for In-House Computer Applications 97-30

Response: We agree with this finding.

Corrective Action Plan:

- A. The majority of our systems are provided by the Bureau of Labor Statistic or the federal government, Employment Security Systems Institute, Computer Data Systems Incorporated, etc. and were designed using structured programming methodology.

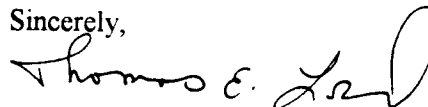
Most of our in-house automation projects consist of maintenance to existing systems brought on by emergency mandates at the federal level, often with deadlines imminent or already missed. In these cases, it takes the entire applications staff working together to simply design and write the code to meet the deadlines.

We are now in the middle of our Year 2000 project, and no new systems are being developed. For the Year 2000 project, we purchased several tools that should enhance programmer productivity and provide a base for development of our own structured methodology: CA-Realia Workbench for the analysis and debugging of programs; CA-Panapt, a change management tool to manage production turnover control procedures; CA-Datamacs, a test generator tool for MVS; CA-Verify, a CICS transaction testing and quality assurance tool; and CA-InterTest, a comprehensive interactive tool for testing and debugging CICS and COBOL batch programs. When the Year 2000 project is complete and before we begin design and development of new systems, we will either write our own programming methodology or consider buying a case tool.

- B. N/A
- C. The Data Processing department head will be responsible for the implementation of a structured methodology for the design and implementation of computer application programs.
- D. We plan to implement this by the third quarter of 1999.

If you have any questions concerning this agency's responses to your findings, please contact Freddie M. Phillips, Director of Administration and Service, at 961-7600.

Sincerely,



Thomas E. Lord
Executive Director

TEL:FMP:cdt

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STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION

EDWARD L. RANCK
EXECUTIVE DIRECTOR

February 5, 1998

FINANCIAL AUDIT FINDINGS

Honorable Phil Bryant
State Auditor - State of Mississippi
3750 I-55 North Frontage Road
Jackson, Mississippi 39211

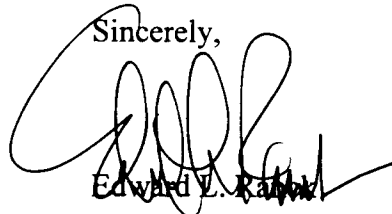
Dear Mr. Bryant:

The following is our formal response and corrective action plan to your financial audit findings dated January 13, 1998.

The Estimate for Retainage Payable Should be Adequately Supported 97-31

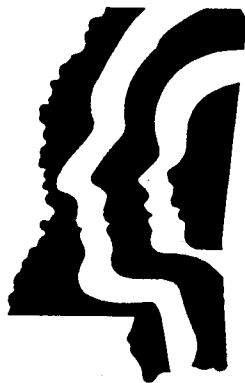
Response: We concur.

Corrective Action: A detailed listing of amounts used in the calculation of the estimated retainage payable will be prepared and retained for the auditor's review. Supervisory review will also be performed to help ensure that errors made in the calculation will be detected. At the present time, the retainage payable cannot be extracted from the Project Accounting Tracking System (PATs) due to the lack of the applicable data sets in the automated system. There are no fields available in PATs to capture the retainage amount nor the total completed and stored amount which are necessary for this calculation to be made correctly. We plan to explore options with our Office of Information Technology staff for other ways to automate this function.

Sincerely,

Edward L. Ranck

ELR/SPL:jl

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MISSISSIPPI
STATE DEPARTMENT OF
HEALTH

2423 North State Street
Post Office Box 1700
Jackson, Mississippi
39215-1700

601/960-7400
601/960-7948 FAX

F.E. Thompson, Jr., MD, MPH
State Health Officer

SINGLE AUDIT FINDINGS

May 20, 1998

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

We are in receipt of your letter of April 28, 1998, detailing the Single Audit and Other Audit findings and recommendations for the Department of Health for Fiscal Year 1997. The following is our response to the Single Audit segment of your letter.

AUDIT FINDINGS:

- | | |
|--------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 93.268 | Childhood Immunization Grants |
| 93.994 | Maternal and Child Health Services Block Grant to the States |

ALLOWABLE COSTS/COST PRINCIPLES

- | | |
|-------|--|
| 97-21 | <u>Internal Controls Over the Time Study System Should be Strengthened</u> |
|-------|--|

Response:

We concur with the findings.

Corrective Action Plan:

- A. We have revised the procedures for processing completed time study forms and have separated these responsibilities from the individual who actually enters the data in the time study system. Duties which have

been reassigned include the mailing of the forms and logging the completed forms on the Budget Control Form and the Employee Control Form. Periodic review of the procedures and the logs will be conducted by independent System's staff to insure that the procedures are being followed and are operating properly.

In addition, System's staff will review the online edits for adequacy. Currently there are a number of built-in edits in the system to validate the accurate entry of time study data. The review will be intended to determine if any additional online edits are needed. Additional edits, if needed, will be implemented as quickly as possible.

- B. The Time Study Coordinator will maintain a file which will contain any requests for changes to the Time Study Report programs. The file documentation will include the identity of the person making the request, the request date and the date that the change took place. All changes will require the supervisor's sign off.
- C. For significant program changes a testing log will be created to document testing activities on the change. The supervisor will sign off on the testing log when testing is complete.
- D. In addition all modifications will continue to be documented in the comment section of the program log.

93.994 Maternal and Child Health Services Block Grant to the States

MATCHING, LEVEL OF EFFORT, EARMARKING

97-6 Internal Control Procedures over State Match Requirements Should be Established

Response:

We concur with the findings.

Corrective Action Plan:

Match requirement calculations have always been documented twice each year - once in preparation of the annual report to be included in the next year's grant application, and a second time when the September time study data is available each year as part of the grant close-out. Effective with the March, 1998 time study data we will document match available for the October-March time periods in addition to the year-end close out. All match calculations/documentation will be submitted for supervisory review and sign-off.

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

REPORTING

97-10 Controls Over the Preparation of the FNS-498 Report Should be Strengthened

Response:

We concur with the finding.

Corrective Action Plan:

Beginning with the March, 1998, FNS-498 report the Auditor's recommendation has been implemented. Completion of the report will be performed by the assigned WIC staff accountant with review by the Director responsible for this activity.

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

SPECIAL TESTS AND PROVISIONS

97-19 Inventory Controls Should be Implemented

Response:

We concur with the finding. Due to communications problems food invoices and other related transactions could not be properly entered in MWITS. These problems were corrected in September, 1997, and the required information has been entered in the system since that time.

Corrective Action Plan:

- A. Food orders are placed at the local site and replicated to central office for approval. We approve and set the delivery date for the food vendor. This information is transmitted back to the local site. When the order is received the invoice is compared to the food order in the system at the local site. The local center enters the actual product received against what was ordered. This is again communicated to the central office. A vendor invoice is also mailed to the central office that is signed by the vendor driver and the staff person who received the product. The invoice is then processed for payment. We do check food invoices to the replicated data from the local site at the central office, when found in the system. The distribution payment clerk will mark on the invoice the MWITS food order number. If not in the system after a day, the invoice will be processed and turned over to inventory accounting to check when doing reports.

- B. We are using MWITS to report overages and shortages for the district. We started in September, 1997, but found that additional training was needed at 37 sites. Site visits were made by central office staff and training was conducted. The first month that we requested the districts to respond to amounts over \$100 was November, 1997. Attached is a copy of the January report (Attachment 1), the letter to the District staff (Attachment 2), and the tracking document (Attachment 3) we used to ensure closure of the finding.

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

SPECIAL TESTS AND PROVISIONS

97-20 Supervisory Reviews of Food Inventory and Perpetual Records Should be Performed

Response:

We concur with the finding. Inventory counts were suspended during the implementation of MWITS. The counts were reinstituted during the final quarter of state Fiscal Year 1997.

Corrective Action Plan:

- A. Inventory counts are tracked monthly. Attached is a copy of the quarterly tracking for SFY 98 (Attachment 4). We will work with the district staff to ensure they meet the quarterly requirement. We have developed a check list for the supervisor to use when doing reviews of their sites. This includes the elements requested by the State Auditor and other actions that are important to the program (Attachment 5). This was handed out at the last staff meeting on April 20, 1998. We will implement a policy change consistent with the findings from the State Auditors.
- B. We have also started site visits by WIC Accountants doing reviews based on items the State Auditors found. We do four sites a month or 36 sites a year. We have attached a copy of the review tool (Attachment 6).

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

SPECIAL TESTS AND PROVISIONS

97-18 EDP Controls for MWITS Should be Developed

Response:

We concur with the finding.

Corrective Action Plan:

- A. At the April, 1998 District Staff Meeting, new security policies and procedures for the MWITS system were distributed along with a form for handling requests from users (Attachment 7). We also went over the current procedures in the MWITS user manual on password security.
- B. A log identifying unsuccessful access attempts will be maintained and periodically reviewed as recommended by the auditors. We are currently merging NDS trees from the 55 file servers located throughout the state into one NDS tree. While doing this we are setting up nine district groups where each field network user will log. These users will be identified by their Personal Identification Number (PIN) with a unique password made up of alpha and numeric characters. Each user will have six login attempts before they will not be able to login into the system. Reports to monitor the system security will be generated. This should be fully implemented no later than July 31, 1998.
- C. Users will be required to change their passwords every ninety days. This will be done through their user profiles in the Novell Netware Operating System.
- D. Confidentiality of passwords is addressed on page 1-4 of MWITS user manual. It will also be covered in the new operations manual (Attachment 8). We also have addressed this in the WIC Distribution Policy and Procedure Manual. We also have developed a security policy for WIC Program's information systems.
- E. The WIC program now has a Disaster Recovery Plan (Attachment 9) that specifically addresses the program's information technology systems. This plan will be tested after July, 1998 in conjunction with the security procedures implementation as outlined above and then at least once a year. The plan will be reviewed at every six months and appropriate changes implemented.

We appreciate the assistance and the professional attitude of the audit staff during this audit. Should you have questions or require additional information, please contact us.

Sincerely,



F. E. Thompson, Jr., M.D., M.P.H.
State Health Officer

FET/sp

Attachments

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**STATE OF MISSISSIPPI
DEPARTMENT OF HUMAN SERVICES**

Donald R. Taylor
Executive Director

SINGLE AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

May 29, 1998

Dear Mr. Bryant:

The following are responses and corrective action plans to the Single Audit as outlined in the Department of Human Services Audit performed for the year ended June 30, 1997.

AUDIT FINDINGS:

INSTANCES OF NONCOMPLIANCE

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

- | | |
|--------|--|
| 93.558 | Temporary Assistance for Needy Families |
| 93.575 | Child Care and Development Block Grant |
| 93.667 | Social Services Block Grant |
| 97-12 | <u>Cost Allocation Plan Should be Amended Timely</u> |

Response: We do not completely concur with the finding as it is written. The submission on March 31, 1997, of the revision to the cost allocation plan (CAP) was performed as corrective action to the prior year audit finding. Four pools were included in that revision. The other four pools were not, due to an error in recording expenditures in the pools originally.

We concur with the timeliness factor on responding to the federal Division of Cost Allocation when additional information was requested. We do not concur with the implication that we tried to conceal the submission of the revised CAP. We considered the amendment submitted March 31, 1997, to be prior year and not current year, and its submission to be a fully corrected item for the prior year. When asked about CAP amendments, it was assumed "new" amendments for Fiscal Year 1997, not those in response to prior year findings.

Corrective Action Plan:

- A: We will continue to assist the federal Division of Cost Allocation with any additional information requested. The four pools with erroneous expenditures will be adjusted out to the correct pools or grants.
- B: Expenditures will be adjusted by the close of the 1998 fiscal year.

REPORTING

Immaterial Noncompliance

93.563 Child Support Enforcement

97-23 Adjustments to OCSE-34 Report Should be Supported

Response:

MDHS does maintain supporting documentation for all amounts included on the federal reports. As to the adjustment line on the OCSE-34 report, a report is printed daily and provided to each county for review and necessary action. Due to the volume of the data, copies are not maintained in the state office. In review, an ad hoc report might have been arranged at the time of test work.

Corrective Action Plan:

Due to the massive volume of transactions that are included in the METSS system, we have requested that data be reserved quarterly to support amounts noted on the F-34 screen which are used to produce the OCSE-34 report.

Upon request, a report of supporting documentation will be generated for a specific quarter. This request has been reviewed and will begin with the quarter starting July 1, 1998.

SPECIAL TESTS AND PROVISIONS

Immaterial Noncompliance

93.563 Child Support Enforcement

97-24 Agency Should Follow Established Policies for the Child Support Enforcement Program

Response:

It is acknowledged that errors were made in cases to the extent identified in the audit performed by your office. It must be noted that, in many cases, staff shortages created situations that would prevent staff from taking all appropriate action in a timely fashion.

Corrective Action Plan:

- A: Staff development and training focused on the specific areas of noncompliance is being developed. This training will be provided to all staff as appropriate.
- B: Supervisors will carefully review cases to ensure that policy is consistently and accurately applied in location, paternity, and support cases.
- C: Program Compliance Reviews will be conducted on a consistent basis to ensure compliance with federal regulations and state policy.
- D: Required waivers for separation of cash handling have been requested and, when approval is received, that document will be kept in the administrative file.
- E: METSS reports will be used to ensure timely and appropriate action is taken in cases needing enforcement.

INTERNAL CONTROL OVER COMPLIANCE - REPORTABLE CONDITION

Reportable Condition

93.563 Child Support Enforcement

97-25 Agency Should Track Changes in Funding Source Requirements for Child Support Enforcement Program

Response:

We concur with the finding for Fiscal Year 1997.

Corrective Action:

We have gone back to prior years to review funding and have implemented a process for timely review of funding. This process was implemented during Fiscal Year 1998.

CASH MANAGEMENT

Reportable Condition

93.667 Social Services Block Grant

97-26 Controls Should be Established to Ensure Treasury-State Agreement is Followed

Response:

We concur with the finding.

Corrective Action Plan:

Since this audit is for 1997 and just being completed one month prior to the close of State Fiscal Year 1998, corrective action for the noted grant is not practical. We are also in the process of reviewing and drafting MDHS grant

information for the new Treasury-State agreement. This agreement will be implemented July 1, 1998, at which time we will have new clearance patterns in place.

REPORTING

Reportable Condition

93.575 Child Care and Development Block Grant

97-11 CCDBG Federal Reports Should Agree with Agency Reports

Response:

We concur with the finding. Journal entries to adjust agency books were not prepared when authorized by applicable division due to insufficient information. When additional information concerning category of expense to adjust was requested, the information was not provided.

Corrective Action Plan:

Adjustments to the agency records will be completed prior to close of State Fiscal Year 1998.

SUBRECIPIENT MONITORING

Reportable Condition

93.558 Temporary Assistance for Needy Families

93.575 Child Care and Development Block Grant

93.667 Social Services Block Grant

97-13 Subrecipient Audits Should be Received Timely

Response:

The Mississippi Department of Human Services concurs with the finding.

Corrective Action Plan:

- A. The Mississippi Department of Human Services will continue its efforts to improve internal controls over monitoring subrecipients to ensure subrecipient audits are received in a timely manner and in accordance with current federal audit requirements.

To facilitate this process, the Agency will implement the following procedures:

1. Revise all active subrecipient contracts to include: (a) the subrecipient's fiscal year-end date and organization type; (b) assurance by the subrecipient that the subrecipient will submit the MDHS Subrecipient Audit Information Form within ninety (90) days from the end of the subrecipient's fiscal year; and (c) assurance by the subrecipient that the subrecipient will submit the audit within nine (9) months from the end of the subrecipient's fiscal year, if an audit is required.
2. Revise the MDHS Subgrantee/Contractor Manual to describe policies and procedures requiring each subgrant to identify the subrecipient's fiscal year-end date and organization type; update the Standard Assurances to include the assurances related to the audit requirements; and, include the MDHS Subrecipient Audit Information Form and procedures for its use.
3. Record the subrecipient's fiscal year-end date and organization type onto the monitoring tracking system during the in-house review process as part of the pre-award approval of the Administrative Review Memorandum. Subgrant agreements will not be approved unless they indicate the subrecipient's fiscal year-end date, the organization type, and the assurances that the subrecipient will submit the subrecipient audit information form and the independent auditor's report, if required.
4. Implement an additional procedure to the MDHS Fiscal and Administrative Monitoring Instrument, which is used to perform desk reviews and/or on-site reviews of all MDHS subgrants, so

that the Agency may test whether the subrecipient's fiscal year-end date has been properly indicated on the subgrant agreement and whether the subrecipient has complied with the assurance to submit the Subrecipient Audit Information Form in a timely manner.

5. Identify any subrecipients that have not submitted the required MDHS Subrecipient Audit Information Form by the due date and send a letter advising the subrecipient of the audit requirements and demanding the subrecipient to comply with the MDHS Subgrantee Audit Policy by submitting the MDHS Subrecipient Audit Information Form.
 6. Issue a written reminder to each subrecipient approximately six (6) months from the end of the subrecipient's fiscal year, emphasizing the audit requirements and the approaching deadline for submission of the audit report, if required, based on information submitted by the subrecipient on the MDHS Subrecipient Audit Information Form.
 7. Identify any subrecipients that have not submitted the required independent auditor's report by the due date and send a second letter advising the subrecipient of the audit requirements and demanding the subrecipient to comply with the applicable federal Single Audit requirements.
- B. The contact person responsible for the corrective action is Robert P. Moore, Director of the Bureau of Audit and Evaluation.
- C. The anticipated implementation date for the corrective actions is July 1, 1998, except for the changes to the MDHS Subgrantee Manual which will be effective October 1, 1998.

SPECIAL TESTS AND PROVISIONS

Reportable Condition

10.551 Food Stamps

97-14 Federal Award Number and Year: 12-35-2841

Food Coupons Returned to Inventory Should Be Reconciled.

Response:

We agree with the finding that procedures should be in place to reconcile the counties' food stamp return to inventory reports with reports provided by Systems and Methods, Inc. (SMI) and concur with the State Audit's recommendation to implement this reconciliation procedure immediately.

Corrective Action Plan:

A. The following actions or procedures will be taken:

Any discrepancies between the reports will be resolved by contact with the affected county and/or SMI. Information on the monthly reconciliation will be kept on file and made available for audit review.

B. The contact person responsible for corrective action is JoAnn Coleman, Bureau Director, State Operations.

C. The corrective action will be implemented immediately.

SPECIAL TESTS AND PROVISIONS

Reportable Condition

97-22 Internal Controls Over METSS Bank Account should be Improved

Response:

METSS Bank Reconciliation:

We concur with the finding. Procedures have been put in place to reconcile the METSS Bank Account (999 account) to the bank. This will ensure proper

Phil Bryant
May 29, 1998
Page 9

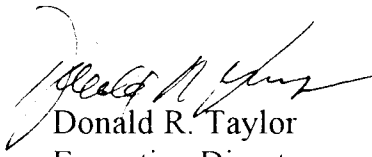
reconciliation of EFT's made from the County bank account to the METSS bank account.

METSS Separation of Duties:

We concur with the finding. Procedures have been put in place to monitor the PAT system. The Accounts Receivable Supervisor will randomly generate the Audit Trail Report from the PAT system. This report will reflect any new accounts set up, changes to existing accounts, accounts deleted, transferred, etc. The Audit Trail will be maintained by the Accounts Receivable Supervisor.

If there are any questions concerning the audit responses, please contact Sandra Maddox at 359-4690.

Sincerely,



Donald R. Taylor
Executive Director

DRT:SM:ja

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STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID
HELEN WETHERBEE, J.D., M.P.H.
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDING

January 30, 1998

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

Our response and corrective action plan relative to your letter dated December 31, 1997, are as follows:

REPORTABLE CONDITION

Schedule of Federal Grant Activity Should be Properly Prepared 97-32

Response: We concur that the Schedule of Federal Grant Activity should be properly prepared. However, we would point out the following: (1) the error in question was a single mathematical mistake, as opposed to a general failure in the proper preparation of the report, which may explain why this item was not presented to us as a "reportable condition ... considered a material weakness" at the pre-exit conference, nor was it even mentioned in that meeting; (2) the effect of the error was relatively immaterial, representing less than 2.5% of actual grant funds received; (3) the adjustment itself has no bearing or effect on actual funds received; the purpose of the adjustment is to accrue an estimate of expenditures and revenues for the GAAP package, but actual grants management is on the cash basis; (4) actual federal expenditures as reported to HCFA on the HCFA 64 Report are correct and will remain unchanged. (5) the error itself was the result of instituting a new procedure and for that reason is not likely to be repeated.

Corrective Action Plan: An additional level of review within the division has been instituted.

Sincerely,

Bill Slaughter, for:

Helen Wetherbee, J.D., M.P.H.
Executive Director, Division of Medicaid
Office of the Governor

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STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID

HELEN WETHERBEE, J.D., M.P.H.
EXECUTIVE DIRECTOR

SINGLE AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

May 6, 1998

Dear Mr. Bryant:

Your letter of April 22, 1998 presented the Single Audit Findings for the Office of the Governor - Division of Medicaid (DOM) for the Fiscal Year 1997. Our replies to the specific findings are noted in the responses and corrective action plans that follow:

AUDIT FINDINGS

CFDA Number 93.778 Medical Assistance Program

ACTIVITIES ALLOWED OR UNALLOWED

**97 - 15 Outpatient Hospital Claims Should be Paid in Accordance
With the State Plan**

Response: Medicare requires that hospitals use the same charges for all patients. Therefore, the usual and customary charges for Medicaid are the same as those used for Medicare and private insurance patients. This is verified by Medicare when they conduct audits of hospitals. Medicaid receives copies of the Medicare audits. Any variance by the hospital from the regulation requiring the same usual and customary charges for different payor types would be noted in the audit report.

Corrective Action Plan: None required.

CFDA Number 93.778 Medical Assistance Program

ACTIVITIES ALLOWED OR UNALLOWED

97 - 16 Internal Controls Over Provider Rate and Claims Adjustments Should be Improved

Response: We concur.

Corrective Action Plan:

A. Procedures have been developed to provide a follow-up memo to the fiscal agent on those transmittals that are not received within a month.

B. An inquiry on the status of the 133 transmittals that had not been returned at the time of the audit field work is being made to the fiscal agent. The Reimbursement Division at DOM will make certain that the action required by these transmittals has been completed.

CFDA Number 93.778 Medical Assistance Program

ACTIVITIES ALLOWED OR UNALLOWED

97 - 9 Controls Over the Review of Crossover Mismatch Reports Should be Strengthened

Response: We concur.

Corrective Action Plan:

A. Staffing. The fiscal agent, EDS, has assigned a dedicated staff member of the Provider Enrollment unit to conduct the review of the crossover mismatch reports. The reviews are being performed on a daily basis to ensure that timely analysis of the reports can occur.

B. Provider Directories. Copies have been requested and received of the Medicare intermediary provider directories from Blue Cross Blue Shield of Mississippi, Metra Health, and Palmetto. In addition we have asked to be added to their mailing list for all new updated to the directories.

We have been unsuccessful at obtaining a copy of the provider directory from Blue Cross Blue Shield of Tennessee. We have made several attempts to obtain this documentation, but are told that they do not provide this type of information. Please note that the crossover mismatch reports for this organization denotes only a few exceptions.

C. Updating the MMIS. The crossover mismatch reports are reviewed against the

appropriate provider directory. As matches are found, the Medicaid Provider Master File is updated to reflect the provider who is identified as the "pay-to name" in the provider directory. This approach allows the individual/facility that was reimbursed by Medicare for services rendered to be reimbursed for crossover claims.

The updates, along with all other updates, receive an audit trail the following business day. The audit trails are matched to a sheet with the following wording "See Medicare Listing" to denote where the information was obtained. The audit trails are then filed in the appropriate provider's file. Additionally, once the crossover mismatch reports are reviewed they are filed in the Provider Enrollment area in order to allow for future review.

CFDA Number 93.778 Medical Assistance Program

ALLOWABLE COSTS / COST PRINCIPLES

97 - 2 Internal Controls Should be Strengthened to Ensure Recovery of Third Party Insurance

Response: The Division is in agreement with the state audit finding. Immediate measures have been taken to remedy this problem.

Corrective Action Plan:

A. A Computer Service Request has been submitted to the fiscal agent to identify all Medicaid Management Information System (MMIS) Third Party Liability (TPL) files with invalid policy begin dates. A systematic update is to be affected placing the Medicaid eligibility begin date in the policy begin date of the identified files. Paid claims related to these identified files, with proper dates of service, are to be extrapolated. Subrogated claims are to be generated and mailed to the appropriate third party source to seek recovery.

B. The DOM's TPL Unit standard operating procedure has been amended to alert the staff in charge of maintenance of the MMIS TPL files that policy begin dates must not include what the automated recovery system reads as invalid. Further, if the update process reveals any records with these invalid dates, the proper policy begin date is to be verified and entered. Since the current staff are verifying valid begin dates on all newly added policies, this problem should not exist any more.

CFDA Number 93.778 Medical Assistance Program

SPECIAL TESTS AND PROVISIONS

Mr. Phil Bryant
May 6, 1998
Page 4.

97 -17 Inpatient Hospital Utilization Records Should be Maintained in an Auditable Manner

Response: We concur. The Division of Medicaid had been aware for over a year that the contract with its Peer Review Organization, Mississippi Foundation for Medical Care, was not adequate in requiring quality assurance and utilization reviews. This inadequacy, among others, prompted the Division to develop a Request For Proposals (RFP) and put this contract out for bid for fiscal year 1998.

Corrective Action Plan:

A. The contract winner, HealthSystems of Mississippi (HSM), agreed to perform quality assurance and utilization review to meet the RFP requirement. They are currently performing quality assurance and utilization review.

B. We anticipate fully auditable records for FY 99.

CFDA Number 93.778 Medical Assistance Program

SPECIAL TESTS AND PROVISIONS

97-8
~~97-17~~ **Internal Controls Over Desk Reviews and Audits Should be Strengthened**

Response: The Division of Medicaid has been aware of the proposed sanctions for the fiscal agent as documented in the fiscal agent contract management reports. Since this was a finding in the previous audit, our response was further documented in our formal response to those findings in our letter to Mr. Phil Bryant, State Auditor dated May 29, 1997.

DOM has worked with the Legislature to secure additional staff and resources necessary to take over the Audit function from the fiscal agent. The 1998 Legislative Session approved funding for seventeen (17) additional positions for the agency. This funding is included in House Bill 1736 which is the Appropriations bill for the Agency and goes into effect July 1, 1998. With these resources, DOM plans to administer the Audit function that has been previously under contract with the fiscal agent.

Corrective Action Plan:

A. Job descriptions and Organizational plans are being developed to ensure a smooth transition of the Audit function from the fiscal agent to the Division of Medicaid as soon as possible in FY 1999.

Mr. Phil Bryant
May 6, 1998
Page 5.

B. It is anticipated that when the transition is complete, DOM will be fully compliant with all requirements for timely completion of desk reviews and audits from that point forward.

I hope you will find these responses satisfactory. We will be happy to provide any additional information or materials you determine necessary. I very much appreciate your assistance to the staff of the Division of Medicaid and assure you we will make every effort to avoid a recurrence of these findings.

Sincerely,

A handwritten signature in cursive script that reads "Helen Wetherbee".

Helen Wetherbee, J.D., M.P.H.
Executive Director, Division of Medicaid
Office of the Governor

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DEPARTMENT OF MENTAL HEALTH

State of Mississippi



ALBERT RANDEL HENDRIX, Ph.D.
Executive Director
Robert E. Lee Building, Suite 1101
239 North Lamar Street
Jackson, Mississippi 39201
(601) 359-1288 • FAX 359-6295
TDD Phone (601) 359-6230

April 14, 1998

SINGLE AUDIT FINDINGS

Mr. Phil Bryant, State Auditor
Office of the State Auditor
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

This letter is in response to your letter of April 6, 1998 reporting Single Audit (Controls) Findings to the Department of Mental Health - Central Office.

97-3 CFDA Number 93.959 Block Grants for Prevention and Treatment of Substance Abuse

Federal award number and year: 96BIMSSAPT, 1996
97BIMSSAPT, 1997

ALLOWABLE COSTS/COSTS PRINCIPLES

Procedures Should be Developed to Adequately Support Administrative Costs

Response: We agree with this finding. This is a repeat finding from the previous year, and corrective action was taken during the year just audited.

Corrective Action Plan: We have corresponded with the cognizant Federal agency on using our indirect cost rate agreement as support for administrative costs charged to the SAPT block grant. As noted in your letter, the SAPT program was included in the indirect cost agreement for fiscal year 1998. This indirect cost agreement has been approved by the cognizant Federal agency, and we have been notified that we

Mr. Phil Bryant
April 14, 1998
page 2

may use this rate agreement to substantiate administrative costs charged to the SAPT block grant.

97-5 CFDA Number 93.959 Block Grants for Community Mental Health Services

Federal award number and year: 95BIMSSAPT, 1995
96BIMSSAPT, 1996

MATCHING, LEVEL OF EFFORT, EARMARKING

Internal Controls over Earmarking Requirements Should be Strengthened

Response: We agree with this finding. This is a repeat finding from the prior year, and corrective action was taken during the year just audited.

Corrective Action Plan: Effective with the grant awards cycle just completed, each and every sub-grant awarded by DMH to a sub-recipient funded from this block grant now indicates the year of Federal funds award that is funding that sub-grant. Further, each and every expenditure made on that sub-grant will also clearly indicate the year of Federal funds award that funded the expenditure. It will then be possible to clearly identify the year of Federal funds that funded any given sub-grant expenditure.

97-4 CFDA Number 93.959 Block Grants for Prevention and Treatment of Substance Abuse

Federal award number and year: 95BIMSSAPT, 1995
96BIMSSAPT, 1996

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Internal Controls Should be Established over Period of Availability Requirements

Response: We agree with this finding. This is a repeat finding from the prior year, and corrective action was taken during the year just audited.

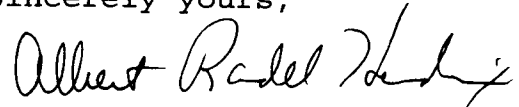
Corrective Action Plan: The corrective action already implemented by DMH now clearly indicates the year of Federal award used to fund every subgrant awarded. Thus, it is now

Mr. Phil Bryant
April 14, 1998
page 3

very easy to determine if a subgrant expenditure was made within the allowable time period.

We appreciate the courtesy and genuine interest in helping us do our jobs better exhibited by the staff assigned to our audit. Your audit staff are keenly interested in helping state agencies do their jobs better, and we appreciate their assistance. They represent your office very well.

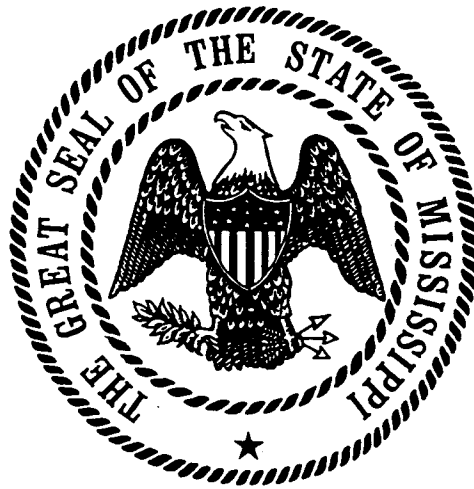
Sincerely yours,

A handwritten signature in cursive script, reading "Albert Randel Hendrix".

Albert Randel Hendrix, Ph.D.
Executive Director

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IV. INDICES



STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 1997**

1. U.S. Department of Agriculture: Pages 59-67
2. U.S. Department of Commerce: None
3. U.S. Department of Defense: None
4. U.S. Department of Housing and Urban Development: None
5. U.S. Department of the Interior: None
6. U.S. Department of Justice: None
7. U.S. Department of Labor: None
8. U.S. Department of Transportation: None
9. Appalachian Regional Commission: None
10. U.S. General Services Administration: None
11. National Foundation on the Arts and the Humanities: None
12. Tennessee Valley Authority: None
13. U.S. Department of Veterans Affairs: None
14. U.S. Environmental Protection Agency: None
15. U.S. Department of Energy: None
16. Federal Emergency Management Agency: None
17. U.S. Department of Education: Page 69
18. U.S. Department of Health and Human Services: Pages 71-96
19. Corporation for National and Community Service: None
20. Social Security Administration: None
21. Other Federal Assistance: None

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STATE OF MISSISSIPPI

INDEX OF FINDINGS AND RECOMMENDATIONS LISTED BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 1997

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: Page 71
6. Board for Community and Junior Colleges: None
7. Corrections: None
8. Economic and Community Development: None
9. Education: Page 69
10. Educational Television: None
11. Emergency Management: None
12. Employment Security: Page 49
13. Environmental Quality: None
14. Finance and Administration: Page 53
15. Forestry Commission: None
16. Health: Pages 59,72
17. Human Services: Pages 66, 74
18. Library Commission: None
19. Marine Resources: None
20. Medicaid: Pages 55, 85
21. Mental Health: Page 93
22. Military Department: None
23. Narcotics: None
24. Oil and Gas Board: None
25. Plant Industry: None
26. Public Safety: None
27. Public Service Commission: None
28. Rehabilitation Services: None
29. State Aid Road Construction: None
30. Supreme Court: None
31. Transportation: None
32. Veterans Affairs Board: None
33. Wildlife, Fisheries and Parks: None

Note: If findings and recommendations related to an agency appear on more than one page in a sequence, only the first page is indicated in the above reference.

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STATE OF MISSISSIPPI

**INDEX OF FINDINGS AND RECOMMENDATIONS
LISTED BY FINDING NUMBER
FOR THE YEAR ENDED JUNE 30, 1997**

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE AGENCY NAME</u>
97-1	71	Attorney General
97-2	89	Medicaid
97-3	93	Mental Health
97-4	96	Mental Health
97-5	94	Mental Health
97-6	73	Health
97-7	69	Education
97-8	90	Medicaid
97-9	86	Medicaid
97-10	65	Health
97-11	79	Human Services
97-12	74	Human Services
97-13	80	Human Services
97-14	66	Human Services
97-15	85	Medicaid
97-16	88	Medicaid
97-17	92	Medicaid
97-18	59	Health
97-19	61	Health
97-20	63	Health
97-21	64, 72	Health
97-22	83	Human Services
97-23	78	Human Services
97-24	82	Human Services
97-25	76	Human Services
97-26	77	Human Services
97-27	49	Employment Security
97-28	50	Employment Security
97-29	51	Employment Security
97-30	51	Employment Security
97-31	53	Finance and Administration
97-32	55	Medicaid

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STATE OF MISSISSIPPI

**INDEX OF MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 1997**

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: Page 111
6. Board for Community and Junior Colleges: None
7. Corrections: None
8. Economic and Community Development: None
9. Education: Page 115
10. Educational Television: None
11. Emergency Management: None
12. Employment Security: Page 117
13. Environmental Quality: None
14. Finance and Administration: Page 121
15. Forestry Commission: None
16. Health: Page 123
17. Human Services: Page 129
18. Library Commission: None
19. Marine Resources: None
20. Medicaid: Pages 139, 141
21. Mental Health: Page 147
22. Military Department: None
23. Narcotics: None
24. Oil and Gas Board: None
25. Plant Industry: None
26. Public Safety: None
27. Public Service Commission: None
28. Rehabilitation Services: None
29. State Aid Road Construction: None
30. Supreme Court: None
31. Transportation: None
32. Veterans Affairs Board: None
33. Wildlife, Fisheries and Parks: None

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V. ACKNOWLEDGMENTS



ACKNOWLEDGMENTS

REPORT PREPARED BY:

Phil Bryant, State Auditor
Norman McLeod, CPA, Deputy State Auditor
Ramona Hill, CPA, Director of Department of Audit
William R. Doss, CPA, Director of Agency Audit Division

Many thanks to the following managers, supervisors and field staff of the Office of the State Auditor for their efforts in gathering the information contained in this Single Audit Report:

Managers

Vickie Wilson, CPA
Annette Pridgen, CPA, CGFM

Supervisors

Phil Allen
Vicki Alvey
Karlanne Coates, CPA
Laura Jackson
Rob Robertson
Sharon Smiley

Field Staff

Kimberly Alford	Chuck Jackson
Shane Atkison	Susan Kimbrough
Judy Bounds	Kim May, CPA
Adam Bunch	Roy Patrick, CGFM
Deana Coleman	Marilyn Purvis, CGFM
Gwen Cotten, CGFM	Tal Rhodes
Jason Easley	Diane Sanders
Dawn Gibbons	Clay Stringer
Judy Haygood	Nancy Thompson, CPA
Russ Hawkins	Michael Vaughn, CPA
Chris Howard	

Special thanks to Jacqueline Thomas for her efforts in processing this report.

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